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FBIS Report: Central Eurasia

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Outlook for CIS Economic Union

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[Article by Yuriy Vatalyevich Shishkov, professor, doctor of economic sciences, section head at the Russian Academy of Sciences Institute of World Economics and International Relations: "CIS Economic Union: Projects and Problems"**]

[FBIS Translated Text] From the very beginning, we must note that, for many years, the Soviet economic and political space was maintained by the former system not simply in unity, but also in a certain functional equilibrium. Yet it has been over 3 years now since the formerly unified space broke up into 15 separate parts and entered a state of wandering and search for means to a new equilibrium. Along this path it has encountered everything—territorial claims, military conflicts, civil wars, deep economic crisis which gripped the newborn independent states, and the desire of some of them to get rich at the expense of others. There was the impression of some confused conglomeration of mutual claims and suspicions, assurances of friendship and compromises. At the same time, *two stages* are clearly apparent here.

The point of departure of the *first* of these stems from Spring of 1990. There was an increasing tendency toward sovereignization: The course toward independence was proclaimed by Estonia (30 March), Lithuania (4 May), Russia (12 June), Ukraine (16 July), and Armenia (28 August). After August of '91, the centrifugal tendency reached a critical mass and took on avalanche-like proportions, fed by the euphoria of independence. Hopes were strongly cultivated that the very fact of economic independence would allow every former union republic to much more effectively utilize its natural and other resources, to quickly implement economic reform, and to embark upon a successful autonomous course in the open sea of the world economy. The leaders of the Baltic states, Ukraine, Turkmenistan, Georgia, and Azerbaijan spoke most confidently about this. Life, however, did not confirm these optimistic suppositions. In practice, it turned out that independence is not only a blessing, but also that it involves many problems and difficulties, often entirely unforeseen. The initial hopes for rapidly overcoming the painfulness of the disintegration of former ties, the forced integration into the world economy and the mastery of new foreign trade horizons gave way to an understanding of the fact that even after the divorce, it would still be necessary to live in the same apartment for some time to come.

The *second* stage begins as of Spring 1993. An even deeper strategic shift became evident: While before, beginning with the Treaty on Economic Cooperation signed on 18 October 1991 and including subsequent agreements of a multilateral character, it was quietly assumed that there was a search for organizational forms

of *civilized divorce*, today the problems of *real re-integration* of the 12 national economies have appeared on the agenda. This new tendency was strengthened after the Russian reserve of "charity" in regard to the other CIS states was exhausted. For 1992, Russia granted them so-called technical credits toward payment for the power resources and other goods supplied by it in a sum equivalent to \$15-\$17 billion. [1] With high rates of inflation, such interest-free credits are a direct loss for Russia. In the first seven months of 1993, such aid additionally comprised around \$1.2 billion. [2] Moreover, the CIS states received considerable benefit in the form of hidden subsidies, determined by the varying degree of growth of prices on goods which they imported from Russia, on one hand, and those which they supplied there on the other. Finally, Russia was forced to put an end to the flooding of its domestic market with devalued Soviet rubles, which were emitted in large volumes by the national banks of other CIS states to pay for imports from Russia.

As a result, it became apparent that the traditional system of "feeding" the former Soviet republics at the expense of the center had finally faded into the past, and that now each of the new states must itself earn money "to live on." At the same time, it became clear that for many of them, the resolution of such a task was beyond their means. There was no basis to depend on their own forces and, consequently, they had to opt for uniting seriously and for a long time. Even the leader of Turkmenistan which is rich in natural resources, who intended to rapidly turn this country into a new Kuwait, sharply altered his negative attitude toward the restoration of a unified economic space within the boundaries of the CIS.

The period of hopes for *transformation of the old*, integral command-distributive economic space inherited from the USSR into an equally integral market space had come to an end. The period of *formation of a new* common market comprised of the domestic markets of 12 countries, which were rather autonomous and somewhat dissimilar, had begun. It was necessary to hastily undertake a search for suitable mechanisms of re-integration of the national economies on this new basis to which they were unaccustomed.

Model of re-integration borrowed from the European Community

From the very beginning, the model developed and approbated in the EC [European Community] was viewed as the standard for the future economic interaction of the CIS states. However, its competent emulation was hindered by two circumstances which evoked some illusions. The *first* of these was the fact that, for some time after the disintegration of the USSR, the economic "transparency" of the inter-republic boundaries was retained, and up until the Fall of 1993 there was also a unified ruble space of the CIS. It seemed that the decisive elements of the economic union, toward which

the EC countries had stubbornly been moving for three and a half decades, already existed within the confines of the CIS. Therefore, the problem, it seemed, was reduced merely to implementing a task which was not too difficult: To finish building the "lower stories" of the building of integration—to create a customs union, a unified market of capital, and so forth, all the while retaining and strengthening its finished "roof." The second circumstance was the following: The conviction prevailed that on the whole the entire situation in the CIS was much more favorable than in the EC, whose participants had in the past been entirely independent states, with their own economic, legal and institutional specifics. The situation in the CIS was believed to be principally different: Here all the countries were as similar to each other as twins, since their national economies had quite recently been a single whole and, it would seem, were well adapted to each other. Moreover, the states of Western Europe had moved forward by feeling their way, by the method of trial and error, while the CIS countries already knew the trail which they had blazed, making it possible for them to follow it confidently and quickly.

As a result of the indicated circumstances, the understanding of the need for consistent passage by the CIS states through all the stages of integration from a zone of free trade to a currency and economic union did not come all at once. At first it was considered enough to retain the transparency of the borders and the unity of the customs territory, and the rest seemed to be a simple task of secondary importance. In the Spring of 1992, there was an intensive preparation of the agreement on a customs union, and in April of that same year it was signed. At that time, it was still not difficult to implement: The boundaries between the CIS member-states remained rather transparent, and the set of trade-political tools for their relations with third countries, which still rested on a unified system inherited from the USSR, could be rather easily unified. However, due to supremacy of the orientation toward "divorce" at that time, the CIS states were in no hurry to realize the multilateral agreements which had been signed.

At the same time, the events followed their own course, and due to objective reasons the "transparency" of the inter-republic borders quickly evaporated. The differences in the rates of reorganization of the national economies determined different levels of liberalization of domestic prices in the CIS countries, which led to significant differences in their levels. And this, naturally, gave rise to the rush of goods, including vitally important resources, from the countries with relatively low domestic prices to the others, where they were higher. Just as strong was the drain of material resources, caused by the repeal of the state monopoly on foreign trade. Raw materials, fuel and metal began to flow in a broad current to the far abroad, i.e., to the world market, where a higher price could be obtained for them (sometimes 2-3 times), with payment in hard currency. Often such a drain occurred through the customs territory of other

CIS states. All this forced Russia and the other Commonwealth states to introduce strict quantitative and tariff limitations on export, and to create customs services at the borders. As of 1 January 1993, Russia expanded a unified regimen of setting quotas and licensing not only on exports to the Baltic states, but also on exports to all the CIS states.

Occurring parallel with this was the unchecked erosion of the unified monetary space. Under conditions of retaining the old Soviet ruble as a unified means of payment in the CIS zone, independent national banks of the member states were able to implement uncontrolled emission of non-cash (credit) money and to use it to settle accounts with each other, and especially with Russia, which accounts for up to 60-80 percent of the foreign trade of most of these states. This formed a source for flooding Russia with a devalued monetary mass, which spurred on the already galloping inflation there. It was necessary to introduce Russia's own currency and to change over to a strict credit policy in regard to the other CIS states. Each of them (except for Tajikistan) in turn introduced its own national currencies.

Thus, *the initial situation changed significantly*. Almost nothing was left of the ready "stockpiles" for the future economic union, and it became quite clear that it would be necessary to pass through the entire "building cycle," from foundation to roof. The decision to prepare the appropriate multilateral treaty on step-by-step movement toward an economic union was adopted by the heads of the CIS states on 14 May 1993. Its text was prepared in only 1.5 months, on 1 July was coordinated at the level of vice-premiers, and on 24 September of the same year it was signed in Moscow by the heads of 9 states: Armenia, Azerbaijan, Belorussia, Kazakhstan, Kirghizia, Moldavia, Russia, Tajikistan and Uzbekistan. Turkmenistan joined in the Treaty on the Economic Union on 24 December 1993, as an equal member, and Ukraine—on 15 April 1994 as an associate member.

Many principles of this treaty testify to the fact that its participants relied on West European theory and practice of integration. The goals of the union and the outlined means of attaining them were rather similar to those which were fixed in the Treaty on Instituting the EES [European Economic Space] (1957), in the agreement on the EFTA [European Free Trade Association] (1960) and in the Unified European Act (1987). Thus, according to Article 3 of the treaty, "The economic union presupposes: Unhindered movement of goods, services, capital and manpower; Coordinated monetary-credit, budget, tax, price, foreign economic, customs and currency policy; Harmonized economic legislation of the agreeing parties."

Article 4 of the Treaty exactly reproduces the stages of integration laid down in the Rome Treaty: "The economic union is created by means of step-by-step intensification of integration, coordination of actions in the

implementation of economic reform through: An interstate (multilateral) association of free trade; a customs union; a common market of goods, services, capital and manpower; a currency (monetary) union."

Thus, after several unsuccessful efforts, having leaped over several stages of development, in order to rapidly get to the finish line, the CIS states had to reconcile themselves with the fact that they would have to move ahead in the same way as Western Europe did, i.e., step by step.

Objective economic interferences

The question naturally arises, how long will the process of step-by-step re-integration last—from the current state of predominantly bilateral economic relations between the CIS states to a well-ordered system of their multilateral interaction and merging within the framework of an economic union? Many political leaders in Russia, as well as in the other CIS states, are impatient to achieve this as soon as possible. And we are speaking here not even about those who dream of the unconditional restoration of the USSR in its former boundaries. We are referring to more sober-minded forces who proceed from the fact that under conditions of post-Soviet reality, economic sovereignization was a mistake which must be corrected, and the sooner the better. Such forces, of course, recognize that effective economic relations may only be restored on the basis of economic interest and full voluntary cooperation. However, they are not inclined to devote significant time to this, referring, in particular, to the examples of decisive actions in this direction, and primarily to the already signed agreements of Russia and Belorussia (we might add, most recently it has become clear that they will be more difficult to realize than was previously thought). Then again, there are not many who expect immediate success in full re-integration. For the most part, the proponents of this process find an understanding of the need to pass over all the steps of the integrational ladder. However, they insist on embarking upon such an ascent without delay, before the disintegration of traditional inter-republic ties leads the young national economies to total collapse.

Such aspirations, I am convinced, are no less illusory than the initial expectations of quick economic flourishing on the basis of the very fact of obtaining independence, as we have already mentioned. The path of the post-Soviet states to an economic union is no easier than that of independent drift in a sea of market relations. A number of serious obstacles of a medium-term as well as a long-term character arise along this path.

Among the *medium-range* obstacles, the *four following ones* are evidently the most significant. *First*—the economic mechanism inherited from the USSR. It was based, as we know, on strict centralization of planning from the top down, on a concentration of all material and financial resources in the hands of the center, which

had full authority to redistribute them between the regions and sectors. The political disintegration of the USSR occurred at the very beginning of the transition from such a command-distributive model of economic management to the market model. Therefore, the economic space of the former USSR divided between the 15 sovereigns began to be managed already not through one centralized mechanism, but through 15 mechanisms—smaller, more deconsolidated, but of the same type as the former one. A large part of industry, transport and the other infrastructure, and even a certain portion of agriculture in the CIS still remains under state ownership (cf. Table 1). Also, the newborn independent countries cannot ensure the functioning of their economies in any other way but by means of the centralized redistribution of the resources under their management. And since the latter are rather limited, there is no other way out but to establish strict governmental control over all these resources, limitation of their loss to neighboring republics, and concentration of the national credit-monetary sphere in their hands.

Table 1. Relative share of workers employed at state enterprises (in 1992, % of overall number)*

Armenia	68.1	Moldavia	60.9
Azerbaijan	68.4	Russia	77.5
Belorussia	75.7	Tajikistan	54.5
Georgia	75.1	Turkmenistan	56.1
Kazakhstan	75.4	Uzbekistan	61.1
Kirghizia	68.5	Ukraine	81.8

* Source: The World Bank, Statistical Handbook 1993, States of the Former USSR, Wash. 1993, p 6-7.

Thus, despite the declaration of intent to preserve the "transparency" of the borders, immediately after the division of all-union property there occurred an unstoppable spontaneous formation of 15 economic organisms of the closed type, genetically repeating the basic traits of the Soviet economic model. This barrier in the path of re-integration will remain until denationalization of the economy reaches a level characteristic for the majority of the developed countries which have a market economy.

The *second* medium-range obstacle is the deep decline in production characteristic for any transitional economy, which was noted specifically in Hungary, Bulgaria, Poland, Slovakia, etc. In the CIS zone, such a decline is intensified also by the disintegration of the inter-republic economic ties which were formerly so close-knit. As a result, the volume of the real GNP [gross national product] declined for 1990-1993 by 38.5 percent on the average for the CIS (cf. Table 2). There has not been such a decline since the times of World War II. Under such conditions, all countries are exhibiting a tendency toward autarchy: This is the unique instinct of self-preservation. Efforts to isolate oneself from the outside world, to retain the existing national resources, if even at the price of violating foreign economic relations,

inevitably intensify the disintegration processes. This factor of opposition of re-integration will play a significant role until the CIS countries emerge from the current crisis.

Table 2. Reduction in volume of GNP in 1991-1993 in the CIS countries, %*

Turkmenistan	6.2	Russia	39.6
Uzbekistan	15.1	Kazakhstan	40.5
Belorussia	24.4	Moldavia	45.2
Azerbaijan	34.1	Tajikistan	50.4
Kirghizia	38.0	Armenia	57.2
Ukraine	38.9	Georgia	59.0

* Computed according to: IMF World Economic Report 1993; DELOVOY MIR, 1994, 21-27 February.

The *third* barrier about which we are speaking arises from the fact that, due to a number of historical and current political reasons, the transition to the market model of economic management in the various countries of the CIS is taking place at different rates. This means that, for a certain period, the post-Soviet economic space turns into a mosaic of different variants of transitional models of economic management. This circumstance erects invisible barriers between the CIS states. However, aside from this, such an asynchronous nature of transition to a market economy gives rise, as we have already said, to a rush of goods to the countries where domestic prices are higher. And with the introduction of national currencies or quasi-currencies, this stimulus is also coupled with factors associated with the difference in market exchange rates of the currencies. All this forces the young states to shut themselves off from one another.

The *fourth* medium-range obstacle is associated with the change in the structure of prices after elimination of state control over them. Bringing domestic prices closer to world prices exposes the irrationality of certain former inter-republic movements of goods. They must be curtailed, and often it is necessary to seek new partners beyond the boundaries of the CIS, which leads to a relative reduction in trade within the framework of the

Commonwealth. In the future, such a tendency will evidently be supported by the need for resource- and energy-saving technologies. This is associated with the increased cost of power resources and raw materials, whose prices were artificially reduced in the USSR. The need for buying such technologies will demand a partial re-orientation of the foreign trade relations of the CIS countries to the West, and this factor will indirectly hinder the process of re-integration in the course of a rather prolonged period of time. This will last until a new balanced structure of foreign trade relations between the CIS countries is established, and until a new model of international export specialization of each of them is formed.

Along with the above-named medium-range factors, the process of re-integration will be opposed by one other circumstance of a deeper, structural character: The insufficiently developed and weakly diversified economy of the Central Asian and Transcaucasian countries of the CIS, as well as Moldavia. By the sectorial structure of the economy as a whole, by the character of industrial production, by the level of labor productivity, as well as by the well-being of the majority of the population, these countries are closer to the developing agrarian-industrial states than they are to the developed industrial countries of the West.

From Table 3 it is evident that both by the structure of the material product and by the average volume of per capita income of the population, the Transcaucasus and especially Central Asia form a group of less developed countries of the CIS, its periphery of sorts, while Moldavia and Kazakhstan occupy an intermediate position between the center (Russia, Belorussia and Ukraine) and this periphery. According to the structure of material production, the latter is close to the moderately developed countries of Latin America, Thailand, Turkey, etc., and by level of per capita income of the population the Central Asian states are similar to Columbia, El Salvador, the Congo, Tunisia, and Jordan. Moldavia and the countries of the Transcaucasus, in turn, are closer to Algeria, Malaysia and Argentina, while Kazakhstan is closer to Mexico, Uruguay and Venezuela.

Table 3. Sectorial structure of the net material product (NMP) and volume of GNP per capita of the population of the CIS countries (1991)*

CIS countries	Structure of NMP, %			GNP per capita of the population (in rubles)
	Agriculture	Industry	Other sectors	
Russia	15.6	59.8	24.6	8765
Belorussia	25.1	56.3	18.6	6131
Ukraine	30.3	53.2	16.5	5687
Moldavia	41.8	44.5	13.7	5687
Kazakhstan	34.2	50.6	15.2	4843
Armenia	27.9	61.2	10.8	4363
Georgia	33.6	50.7	15.7	3831

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Table 3. Sectorial structure of the net material product (NMP) and volume of GNP per capita of the population of the CIS countries (1991)* (Continued)

CIS countries	Structure of NMP, %			GNP per capita of the population (in rubles)
	Agriculture	Industry	Other sectors	
Azerbaijan	41.2	45.5	13.3	3747
Turkmenistan	46.2	38.5	15.3	3910
Kirghizia	50.2	39.6	10.1	3518
Uzbekistan	45.0	42.0	13.0	2986
Tajikistan	43.9	43.5	12.6	2510

* Source: The World Bank. Statistical Handbook 1993, States of the Former USSR. p 8-11.

This delineation of the post-Soviet economic space into a relatively developed industrial center and a developing periphery becomes even more obvious in examining the sectorial structure of industry of the CIS countries. High technology sectors of machine building, electronics, electrical technology and the chemical industry, which are usually associated with the development and production of arms, are concentrated in Russia, Belorussia and Ukraine. Individual types of machine building are present also in the Transcaucasus, Uzbekistan and other countries of the periphery. However, in the center of gravity falls, as a rule, on the mining and preliminary processing of mineral resources and on the food and light industry.

At the same time, at that stage of technical-economic development when the leading role remains with agriculture, the mining industry and the "lower stages" of processing, the national economies by their structure are not so much mutually augmenting entities as they are competing partners. Under these conditions, there is no basis for any broad and effective division of labor between them. Therefore, in the trade-economic respect, the developing and even the moderately developed countries may remain indifferent to each other for a long time, while between the highly developed countries there is actively increasing mutual attraction. In 1990, for example, the volume of mutual (intra-regional) export of countries of Western Europe computed per capita of the population comprised \$3121, while the volume of West European export to third countries was \$1250. For Latin America, the analogous indicators comprised \$412 and \$262, respectively, and for Africa—\$6.5 and \$110. [3] Characteristic here are not so much the ratios of absolute volumes of intra-regional export per single resident, which are rather eloquent in themselves, but rather the proportions of intra- and extra-regional trade. In the first case this is approximately 2.5:1; in the second—1:6.4, and in the third—1:17.9. It is quite obvious that the less developed the national economies, the less their economic interest in one another, and the more actively they seek partners on the side, from among the number of industrially developed states.

As applied to the region of the CIS this means that its least developed participant countries are not inclined toward broad economic cooperation with each other. They may be "attracted" either by a more developed center of the former USSR (the European part of Russia, the Urals, Ukraine, Belorussia), or by the even more developed West. And in fact, statistics show that almost all the CIS countries are oriented in their export toward Russia, to a lesser degree toward Ukraine, and (with the exception of Azerbaijan and Tajikistan) export only an insignificant portion of their products outside the boundaries of the CIS (cf. Table 4). Aside from the higher technical-economic level of development of Russia, the huge volume of its domestic market is, of course, also evident here. Mutual trade of the Central Asian countries is not great: For four of them it does not exceed 20-25 percent of the total volume of export, and only for Kirghizia does it reach 32 percent. Moreover, mutual trade of the three Transcaucasus states is quite negligible—no more than 4 percent (in some measure this is determined by the military conflicts in the region; however, even in peace time the relative share of intra-regional exchange was very small here).

Under such conditions, the tangible integrational processes between the CIS countries which are referred to here as peripheral are improbable in the foreseeable future. Even if the coordination of their economic policy outlined after the Tashkent meeting of 4 January 1993 by leaders of the five countries of Central Asia were to grow, say, into the creation of a Central Asian free trade zone, the real effect would be rather insignificant. The experience of most of the "free trade zones," "customs unions" and "common markets" in the developing world speaks in favor of such a conclusion. The mutual trade of the ASEAN [Association of Southeast Asian Nations] countries, which in 1960 comprised 21.7 percent of their total export, by 1970 had declined to 14.7 percent, in 1980 did not exceed 17.8 percent, and in 1990—18.5 percent. For the five participant countries in the Central American common market, these indicators comprised respectively 7.5, 26.8, 20.0 and 20.3 percent. For the six members of the Customs and Economic Union of Central Africa (UDEAC) they were 1.6, 3.4, 4.1 and 4.3 percent. [4]

Geographic structure of export of CIS countries in 1992 (based on current domestic prices, % of overall volume of export)*

Exporter countries	To the "far abroad"***	To the "near abroad"	Including				
			Russia	Ukraine	Kazakhstan	Central Asia	Transcaucasus
Russia	64.9	35.1	—	16.2	6.8	3.9	1.3
Ukraine	18.4	81.6	60.7	—	4.2	3.0	3.1
Belorussia	19.8	80.2	48.2	19.3	4.3	4.7	1.9
Moldavia	7.1	92.9	50.2	25.0	2.5	6.1	3.4
Kazakhstan	11.4	88.6	64.5	8.8	—	11.0	1.7
Kirghizia	14.0	86.0	34.3	15.2	19.6	12.5	1.3
Tajikistan	56.8	43.2	20.9	5.1	6.4	6.9	2.3
Turkmenistan	16.2	83.8	41.7	6.2	2.2	23.4	—
Uzbekistan	20.6	79.4	44.5	11.8	9.3	10.1	1.1
Armenia	5.6	94.4	61.8	17.8	1.4	5.9	3.9
Azerbaijan	50.9	48.1	22.9	9.0	2.6	6.7	4.0
Georgia	3.2	96.8	66.6	10.3	6.2	6.8	4.0

* Computed according to: The World Bank. Statistical Handbook 1993. States of the Former USSR.

**Including the Baltic states.

Thus, it is reasonable to conclude that the integrational process on a *multilateral* basis in the CIS zone still does not have any favorable objective prerequisites. No matter how important the political decisions adopted in this regard may be, it is unlikely that they will go beyond the realm of good intentions. Meanwhile, however, real multilateral integration of the national economies of the CIS will progress at an extremely slow rate. It is true that fairly good material prerequisites exist here for *one-sided* integration according to the "heliocentric" model, when each of the less developed countries of the Commonwealth will be "drawn" ever more strongly to its developed nucleus, and primarily to Russia. The tendency toward such development was clearly outlined already in the first years after the disintegration of the USSR. Here, however, much will depend on how greatly Russia itself and its economic subjects are interested in strengthening and intensifying economic ties with the countries of the post-Union periphery. There is no synonymous answer to this question. There are a number of economic and political conclusions in favor of such interest, among which, in particular, is the threat of losing prospective sales markets in the CIS countries, which is arising for Russia. In evaluating this circumstance, we must not, however, forget that Russia itself is a less developed country in relation to the leading states of the West. And therefore, due to this same objective regularity, it is more interested in economic rapprochement with them, and not with the peripheral partners in the CIS.

The practical experience of recent years shows that the tendency toward re-orientation of foreign trade relations of Russia toward the "far abroad" is gaining strength. While the specific importance of the latter in the overall volume of Russian export in 1989 comprised 33.3 percent, and in 1990—35.5 percent, in 1991 it was already 41.2 percent, in 1992—52.5 percent, in 1993—60.7

percent, and in the first quarter of 1994—even 75.7 percent. [5] At the same time, in the space of the CIS itself the export of Russia is ever more greatly concentrated on the countries of its developed nucleus, i.e., on Ukraine and Belorussia. In 1990, their share comprised 57.2 percent of Russian export to the zone of the current Commonwealth, in 1991—61.3 percent, and in the first quarter of 1994—already 70.8 percent. [6] An analogous tendency is observed also in the changes of the geographical structure of Russian import. The peripheral countries of the CIS are becoming ever more marginal partners of Russia. Therefore, their propensity toward integration with it risks being a case of unrequited love. And this would mean a slowing of the process of re-integration of the CIS economic space, even in its one-sided "heliocentric" variant.

Institutional problems

On the background of the deep-seated processes which are taking place, the organizational-legal formulation of the economic interaction of the CIS states at first glance appears rather encouraging. Here are just a few of the most important landmarks in this process:

- On 13 March 1992, the Customs Council was instituted for coordination of customs policy of the member-states;
- On 27 March 1992, the Interparliamentary Assembly of these states was created for the purpose of bringing their national legal systems closer together;
- On 6 July 1992, an agreement was reached on creating the CIS Economic Court;
- In January of 1993, the Interstate Bank was founded, called upon to provide for accounting between the CIS countries and to coordinate the work of the national banking systems;

- On 22 January 1993, seven countries signed the CIS Charter, which contains general principles of the organization of the economic and political interaction of the member states (later it was signed also by the other five countries);
- On 14 May 1993, the Coordinating Consultative Committee of the CIS at the vice-premier level and the Executive Secretariat of the CIS were instituted;
- On 24 September 1993, the Council of Ministers of Foreign Affairs was created for purposes of coordinating the foreign policy of the member states.

Many other multilateral governmental agencies of a sectorial character have also been formed, including the Eurasian Coal and Metal Association. Thus, as is customarily said, much work has been done.

Nevertheless, at the admission of numerous leaders of the Commonwealth countries, the institutional system which has been instituted operates most ineffectively. By the Summer of 1994, around 500 different multilateral documents had been signed within the scope of the CIS, but most of them are not being realized in practical application. And there is nothing sensational about this: The same situation is characteristic for most international organizations of an integrational character which operate in the developing regions. The main reason for such ineffectiveness is also clear: *The economic conditions for real merging of the national economies have not yet matured.*

Not understanding this, or not giving this factor proper attention, certain leaders of the CIS countries are striving to correct the situation by means of intensifying the supra-national institutions of the Commonwealth. The repeated initiatives by Kazakhstan President N. Nazarbayev have become particularly notable in this regard. Back in September of 1992, he proposed creating not so much coordinating as administrative structures of the CIS, which would in fact turn it into a confederation. In March of 1994 he spoke out with the idea of transforming the Commonwealth into a Eurasian Union, and at the beginning of June he publicized a detailed plan of such a union. It proposes the creation of supra-national power structures (a council of heads of state and governments, an EAC [Eurasian Union] Parliament, a Council of Ministers of Foreign Affairs, and an Inter-State Executive Committee), which would make decisions by a qualified 4/5 majority of votes, under the condition that each of the countries would have one vote. These decisions would be binding for the member countries. It is presumed that this would make it possible to lay down the legal and organizational prerequisites for intensifying integration in the direction of economic, currency and political union and for creation of a unified defense space.

N. Nazarbayev's initiative was met with suspicion on the part of most of the leaders of the CIS countries, although it did find support among certain Russian politicians. It seems, however, that in spite of all the good intentions which lie at the basis of such an initiative, the idea of a

Eurasian confederation, at least for the immediate period, does not have any chances for success—primarily due to the above-named objective economic reasons. They are supplemented also by important political reasons—subjective as well as objective.

Among the subjective ones is the "anti-imperialist syndrome," which has been deeply imprinted in the national memory of the peoples. Any steps in the direction of confederation are perceived by a significant part of the population of the peripheral CIS countries as a tendency toward restoration of Russian hegemony. Even if the current leaders of these countries understand the ephemeral nature of such suspicions, they can still not ignore them, if for no other reason but that the nationalist opposition will use such attitudes for strengthening its influence and for seizing power. In such a political atmosphere, it is difficult to expect success for the idea of the Eurasian confederation.

There is also an important objective political obstacle in the path of strengthening the supra-national power structures of the CIS. This is the huge disbalance of forces in favor of Russia. It accounts for 59 percent of the GNP, 91 percent of oil drilling, 77 percent of the natural gas, 58 percent of the smelted steel, $\frac{2}{3}$ of the machine building production, and the overwhelming portion of the scientific-technical and military potential of the Commonwealth. [7] Already because of this, in the CIS, as at one time in CEMA [Council for Mutual Economic Assistance], there objectively exists the danger of subordination of the interests of the "younger brothers" to the interests of the "big brother." After all, what is beneficial to Russia is ultimately beneficial also to the CIS as a whole. But not everything that is necessary for Russia or even for the Commonwealth as a whole corresponds to the interests of individual member states at a given moment. Therefore, for them it is extremely important for the decisions of the organs of the Economic Union be adopted unanimously. In other words, for each state to have the right of veto. Only in this way can they guarantee for themselves their own individual key to the start-up mechanism of this union, and guarantee their own economic security. It is specifically this principle that is fixed in Article 23 of the CIS Charter, and repeated word for word in Article 27 of the Treaty on Development of an Economic Union: "Decisions of the Council of the Heads of State and the Council of the Heads of Governments are adopted through general agreement—consensus. Any state may declare its lack of interest in one question or another, which should not be viewed as an obstacle to adoption of the decision." [8]

It is characteristic that the presented thesis is copied almost word for word from the charter of CEMA, whose members also strived to safeguard themselves from the dictate of the USSR. However, such a procedure which is suitable to the members of the association is extremely ineffective for the common cause, for the sake of which it is being created, since any collective decision may be torpedoed by any one country which is unhappy with it

CEMA, in which years were spent on "hammering out" one or another form of cooperation, suffered from the same problem.

The European Community also spent a long time languishing in a similar procedure. It took three decades to almost entirely edge out the principle of consensus from the practice of the EC Council. However, we cannot forget that direct analogies are incorrect here. After all, a relative equilibrium of forces existed within the EC from the very beginning: In 1958, the share of the FRG [Federal Republic of Germany] comprised 36.2 percent of the total GNP of the six EC countries, of France—32.8 percent, and of Italy—18.5 percent. Under these conditions, the small participant countries could maneuver within this triangle, supporting that "angle" of it which was closest to them in each specific case. With the entry of Great Britain, the balance of powers in the EC was strengthened even more. Today, however, the situation has changed, and the unified Germany has become the clear dominant in the Community. However, the integration here had already gone so far that this circumstance cannot stop the process.

If Germany had been unified already in the late 50's, it is unlikely that the institutional system of the EC would have taken on its present form, and the integrational process could hardly have gone as far as it has by the present time. In the CIS, however, the disbalance of economic and political forces is a huge obstacle in the path of not only confederation, but also of an economic union of fully sovereign states. And this creates significant additional complications in the cause of re-integration of the post-Soviet economic space.

Thus, a new stage in post-Soviet history has begun: The pendulum of history has swung in the direction of unification of the economic and political efforts of the CIS states, which had initially become intoxicated with independence. Both in Moscow and in Kiev, as well as in the other capitals of the states entering into the Commonwealth, the voices of sober pragmatists are resounding ever louder, capable of rising above the nationalistic emotions. Under the pressure of the problems which have crashed down upon them, the leaders of the peripheral Commonwealth countries are even ready in some measure to ignore the "anti-imperialist syndrome." Most of the state leaders here obviously believe that the problem of re-integration of the post-Soviet space lies in the plane of political freedom, and that everything here comes down to a search for the correct decisions which take into consideration the attitude of the broad popular masses. After all, it is no accident that

N. Nazarbayev proposes undertaking the construction of the Eurasian Union with the passage of referenda in the CIS countries.

However, we believe that such logic is based on deep delusion. It loses sight of a most important circumstance: In the 3-4 years which have elapsed, powerful forces which determine the subsequent course of events have gone into action—*economic regularities*. Today the decisive role is played not by leaders and political parties, not by conceptions and programs, but by deep-seated economic processes taking place in the countries which are the successors of the USSR.

Footnotes

* In publishing this article, the editors are continuing the line toward illumination of the fundamental aspects of re-integration of the economies of the post-Union states. Cf., specifically: Klotsov F., Matsnev V., Safronov V. "Russia in the System of Inter-Republic Relations" (No 3, 1993); Kirichenko, V. "The CIS: Dialectics of Unification and Delineation" (No 10, 1993); Valovaya T. "Economic and Currency Union: Regularities of Formation" (No 5-6, 1994); the presentation by S. Sitaryan at the International Banking Conference, "Formulation and Development of an Effective System of Mutual Accounting at the Level of the Central (National) and Commercial Banks of the States of the Former USSR" (No 7, 1994). (editor's note).

1. Cf. FINANSOVYYE IZVESTIYA, 17 September 1993.
2. Cf. IZVESTIYA, 12 November 1993.
3. Computed according to: UNCTAD Handbook of International Trade and Development Statistics 1992.
4. Computed according to: UNCTAD Handbook of International Trade and Development Statistics 1992.
5. Computations of B. M. Bolotin (IMEMO RAN) [Russian Academy of Sciences Institute of World Economics and International Relations]; data for 1994 are presented according to: FINANSOVYYE IZVESTIYA, 16-22 June 1994.
6. Computed according to: The World Bank Statistical Handbook, Wash., 1993, p 533.
7. Cf.: "A Study of the Soviet Economy," Vol 1, Paris, 1991, p 212, 213, 216.
8. ROSSIYSKAYA GAZETA, 12 February 1993.
9. Cf.: European Economy, No 14, November 1982, p 195.

ECONOMIC & SOCIAL AFFAIRS

'Preferential Regime' Countries in Trade Sector Noted

Commentary on Government Decree

944E1210A Moscow KOMMERSANT-DAILY
in Russian 21 Sep 94 p 3

[Commentary by Vadim Bardin and Marat Salimov, under the rubric: Foreign Economic Regulation: "An Offensive Against Importers Continues"]

[FBIS Translated Text] The government decree officially circulated yesterday approved the list of countries to which preferential status is granted in foreign trade with Russia. The decree also defines for the first time the list of goods to which preferential regime is not extended when they are imported into the Russian Federation. This list, by the way, includes practically all audio and video electronics. Thus, Russian importers have lost the last venue of duty-free import of goods of greatest profit value.

On the threshold of import duties reduction promised by the government, paradoxically, the conditions for the conduct of import operations once again worsened. This time it affects goods purchased in developing and least developed countries. In keeping with the government decree "On Approving the List of Countries That Are Users of the Table of Preferences of the Russian Federation and the List of Goods to Which Preferential Regime Is Not Extended When Imported to the Territory of the Russian Federation," beginning on 15 September the current import regime is extended to a score of cosmetics and consumer electronics items, regardless of the country of goods' origin.

Let us remind our readers that after the new import tariffs were put into effect on 1 July, duties were raised considerably on imports of foodstuffs, as well as cosmetics and consumer audio and video electronics. However, Russian importers still had one loophole—to shift from purchasing goods in developed countries to imports from developing countries. Since import tariff rates were differentiated depending on the country of the goods' origin, importers began to switch to importing goods from countries that belong, by the UN classification, to the "least developed" or "developing" group. In this case, the import duty rate was reduced to 50 percent or did not apply altogether. As a result, the amount subject to the value-added tax also was reduced. Despite the fact that the quality of goods produced in developing countries is inferior compared to their counterparts from more developed countries, importers still could maintain their profit margins and support prices in the domestic

market practically at the old level. In the opinion of foreign trade experts, the latest government actions not only contradict assurances of adhering to the course of liberalization of foreign economic activities, but also will cause a negative reaction on the part of the GATT leadership, which in the end may make even more questionable Russia's potential full-fledged membership in this organization.

Countries Considered 'Preferential' Listed

944E1210B Moscow KOMMERSANT-DAILY
in Russian 21 Sep 94 p 3

[List of countries imports from which fall under preferences]

[FBIS Translated Text] The least-developed countries from which imports are not subject to import custom duties

Afghanistan, Bangladesh, Benin, Botswana, Burkina Faso, Burundi, Bhutan, Vanuatu, Haiti, Gambia, Guinea, Guinea-Bissau, Djibouti, Zaire, Zambia, Yemen, Cape Verde, Cambodia, Kiribati, Comoros Islands, Laos, Lesotho, Liberia, Mauritania, Madagascar, Malawi, Mali, Maldives, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Solomon Islands, Somalia, Sudan, Sierra Leone, Tanzania, Togo, Tuvalu, Uganda, Central African Republic, Chad, Equatorial Guinea, Ethiopia

The developing countries to whose goods 50-percent of the base rate of import custom duties is applied

Albania, Algeria, Angola, Anguilla, Antigua and Barbuda, Argentina, Aruba, the Bahamas, Barbados, Bahrain, Belize, Bermuda, Bolivia, Brazil, British Virgin Islands, Brunei, Venezuela, Vietnam, Guyana, Gabon, Ghana, Guatemala, Honduras, Hong Kong, Grenada, Dominica, Dominican Republic, Egypt, Zimbabwe, India, Indonesia, Jordan, Iraq, Iran, Cayman Islands, Cameroon, Qatar, Kenya, Cyprus, China, PDRK, Colombia, Congo, Korea, Costa Rica, Cote d'Ivoire, Cuba, Kuwait, Cook Islands, Lebanon, Libya, Mauritius, Malta, Malaysia, Marshall Islands, Mexico, Micronesia, Mongolia, Montserrat, Namibia, Nauru, Niue, Nigeria, Netherlands Antilles, Nicaragua, United Arab Emirates, Oman, St. Helene, Turks and Caicos Islands, Pakistan, Panama, Paraguay, Peru, Romania, Salvador, Saudi Arabia, Swaziland, Seychelles Islands, Senegal, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Saint Lucia, Singapore, Syria, Slovenia, Suriname, Thailand, Tokelau, Tonga, Trinidad and Tobago, Tunisia, Turkey, Uruguay, Fiji, Philippines, Croatia, Chile, Sri Lanka, Ecuador, Macedonia, Bosnia and Herzegovina, Jamaica

Imports Not Considered 'Preferential' Listed

944E1210C Moscow KOMMERSANT-DAILY
in Russian 21 Sep 94 p 3

[List of goods whose imports are not considered preferential]

[FBIS Translated Text]

List of goods whose imports are not considered preferential:	
TN VED Code	Item
3303.00	Perfumes and eau de toilette
3304-3307	Cosmetics, hair care, oral hygiene, and shaving items
711620	Items made of natural or artificial precious and semi-precious stones
7117	Costume jewelry
851710000	Electric telephone apparatus
8519-8521	Record players, tape recorders, video equipment
8525	Radio telephones, transmitting apparatus for radio telegraph, radio broadcasting, and television
8527	Receiving equipment for radio telegraph, radio broadcasting, and television
8528	Solid state receivers, including video monitors and video projectors

End of Year Unemployment Figures Predicted

944F1546A Moscow IZVESTIYA in Russian
21 Sep 94 p 9

[Russian Federation Government Center for Economic Trends report: "Seven Million May Be Unemployed by Year's End"]

[FBIS Translated Text] During the first half of 1994 the decline in production continued, inevitably accompanied by a decrease in the number of people working. According to experts' estimates, the number of employed persons had decreased by 0.8 million by the beginning of July, leaving a total of 70.2 million people working.

The trend continued toward a shift in the work force away from industry, science and information/computer support and toward the service sector. Developing most intensively were sales, tourism, finance, intermediary services, leasing, real estate transactions, legal consultation, notary services, and tax services. These fields remain the most promising from the standpoint of new job creation.

Another distinctive feature of the current stage is an increase in secondary employment. This includes second jobs, contract work, day labor, and temporary employment. This provides additional income (according to some estimates) for 8 or 9 million people, of whom 2.0-2.5 million are employed in sales and intermediary service jobs.

Against this backdrop, concealed unemployment continues to increase. It is at its highest level at enterprises in the textile industry, machine-building plants manufacturing tractors, other agricultural equipment and diesel engines, and the electronics industry. As of mid-year the total amount of concealed unemployment was approximately 8 million.

There are two sides to this process. The negative aspect is the slowing of work force redistribution between various sectors of the economy. The positive aspect is that this prevents a simultaneous discharge of all the unemployed into the job market.

The number of persons officially registered as unemployed remains low, at just over 1 percent. This is due to a number of factors: loans and financial support extended by the state to certain unprofitable sectors of the economy and types of production, restraints on restructuring and bankruptcy procedures, the current tax system, which does not provide incentives to reduce excess employment, and distinctive features of the way in which the first stage of privatization was implemented.

A new and dangerous symptom has appeared: chronic unemployment. The time frame for this has increased from three months in early 1993 to six months at the present time. There has also been an increase in stagnant unemployment (of more than four months), which already accounts for 45 percent of the total amount of official unemployment.

Regional differentiation with regard to unemployment is increasing at an accelerating rate. Whereas at the beginning of last year the difference between maximum and minimum levels was a factor of 22, that figure is now 46.

According to estimates, as much as 30 percent of citizens requiring employment and seeking jobs apply to an employment service. The total amount of forced unemployment, as calculated by the Center for Economic Trends using International Labor Organization methodology, was roughly 4.8 million people at the beginning of July (6.5 percent of the economically active population).

Considering the possible development of the economic situation, the total number of persons employed will decline by roughly 1 million during the second half of this year. The "peak" will probably come in the fourth quarter.

According to the Center's projections, by the end of 1994 the number of officially unemployed persons will have increased since by the beginning of the year by a factor of almost three and will stand at 2.2-2.4 million. The total amount of forced unemployment could exceed 7.0 million, or 9-10 percent of the economically active population.

Thus Russia is in fact on the verge of joining the ranks of countries with the median level of unemployment.

Draft Program for Stabilizing Standard of Living Assessed

944F1546B Moscow IZVESTIYA in Russian
21 Sep 94 p 9

[Article by Tatyana Khudyakova, IZVESTIYA correspondent: "Draft Program for Stabilizing Standard of Living Submitted for President's Consideration"]

[FBIS Translated Text] A draft of an important social program, backed by a package of presidential edicts and government decrees, has been developed jointly by the government and the Council on Social Policy under the direction of Ella Pamfilova.

The list of documents alone indicates a nontraditional approach. For example, edicts on social assessments and introduction of a system for numerical identification of citizens, on the social orientation of tax reform, and on introduction of a unified social payment, government decrees on measures to protect employees' interests during the second stage of privatization, on a mechanism for transferring components of the social infrastructure to municipal ownership, and more.

The program does not set itself the impossible goal of instantly solving every problem, but it does lay the groundwork for a serious reform of the entire social realm, from support for employment and assistance to the poor to income regulation, changes in the social insurance system, and stabilization of funding.

One important innovation is that there are plans to begin employing the practice of social assessments. The goal of this is to project the social effect of decisions under consideration. These assessments would be of a precautionary nature and be carried out not only when various measures are being prepared, but also throughout the various stages of their implementation.

The poor are a separate issue. In order for the state to help them, it is first of all essential to update the methodology used to calculate the minimum standard of living and reassess a large portion of the expenditures made to acquire food and durable goods and pay for housing and municipal services.

It is proposed that as of 1995 a federal need-based payment be introduced. This payment would be assigned upon application by one member of a family and paid out to each member of the applicant's family. The amount of this payment will be calculated based on the difference between the family's average per capita income and the minimum standard of living for a specific region. The source of payment will be the federal budget, and this will require expenditures of roughly R4 trillion at current prices.

The financial portion of the program is laid out in particular detail. First attention is focused on radical change in income policy, since the current system is clearly slowing the pace of reform. Quite frankly, the

current minimum wage makes honest, productive labor pointless. Ineffective taxation of large incomes leads to the concentration of colossal amounts of available funds among a small segment of the population.

The effects are not as simple as they appear. Sales and production are becoming increasingly oriented toward wealthier consumers. Less prosperous consumers cannot find inexpensive products, and domestic manufacturers cannot sell their products to stores, which prefer expensive imported goods. Hence social tension, part of the blame for declining output, price formation distortions, and problems with nonpayments.

Many problems with current funding for the social realm stem from the "budget wars" between the central government and the regions. The flawed practice of providing federal organs with various social benefits at the expense of local budgets, without consideration for their capabilities, has become firmly entrenched.

The program proposes granting local governmental bodies the authority to resolve some of these social issues. Local budgets will be allowed to keep a portion of federal taxes for directed use in connection with social measures. A system of minimum state standards will be developed, and this will also make it possible to protect the social realm from reduction in funding relative to planned funding levels.

The federal budget will accumulate funds solely for the purpose of funding nationwide programs: education, health care, and social protection.

Another innovation in the program is its mechanism for funding the social realm. It is proposed that that funding be set in an amount equivalent to a fixed percentage of gross domestic product, while the funds will be allocated out of the state budget, nonbudgetary funds, and other sources.

In addition, there is a proposal to establish a fixed portion of profit taxes, excise taxes, and added value tax to be set aside specifically for social needs.

The financial section of the program proposes not so much a solution to the problem of where to find additional funding as it envisions strict allocation of expenditures to the social realm. This will create the prerequisites for a certain degree of stabilization in the situation within the foreseeable future.

Mavrodi on MMM, Political Aspirations

944K2453A Moscow ARGUMENTY I FAKTY
in Russian No 39, Sep 94 p 3

[MMM President S. Mavrodi's answers to ARGUMENTY I FAKTY questions, under the rubric "Interview Through Prison Bars": "S. Mavrodi: 'It Is Useless To Give Advice to This Government'"]

[FBIS Translated Text] *The events surrounding AO [joint stock society] MMM and its head are still raging. While*

the investigation continues to mull over what to do about S. Mavrodi, he has registered as a candidate for a deputy seat. While officials keep mum, he sends messages from prison, buying for the purpose entire pages in newspapers. To clarify the situation somewhat, we passed through attorney E. Sofronskiy some questions for S. Mavrodi, asking to answer them. This interview in absentia IS NOT a paid advertisement—we publish it in the interests of our readers.

[ARGUMENTY I FAKTY] Mr. Mavrodi, first we would like to express our tremendous gratitude to you for teaching people the basics of capitalism to no less an extent than the voucher games did. You showed that today everyone must use his head instead of counting on Yeltsin, Clinton, or Mavrodi. You also demonstrated the impotence of the government and the venality of the press.

Now a few questions prompted by your paid messages in the press and the MMM situation in general.

What would you do to a person whom you trusted, whom you loaned your savings, and now he is not returning the money under the excuse of various "valid reasons" and "unforeseen circumstances"?

[Mavrodi] If among such "unforeseen circumstances" is a robbery committed in front of everyone, I doubt I would be pressing such a man. And all the less so if he, on top of that, tried to protect my money from the attackers with everything at his disposal, and himself got hurt in the process.

[ARGUMENTY I FAKTY] Mr. Mavrodi, you are not a novice in business and are well familiar with the laws of the Russian market. After numerous conflicts with state services, you could not count on their love for you, and that includes the success of your new undertaking. Nevertheless, you started AO MMM and got millions of people involved. Why?

[Mavrodi] I had no doubt that the "new undertaking" would succeed when I started AO MMM, and I do not doubt it now. No state services can stop me in this.

[ARGUMENTY I FAKTY] We have our own two versions of the answer to the question above.

First: You planned to collect enormous amounts of money, provoke a conflict with the government, "collapse" the stock value, and earn superprofits on it. And escape the wrath of stockholders by sitting it out behind prison cell walls, blaming everything on the "stupid government."

You reject this version in your messages to the people, saying that for you, money is not a goal in itself.

Although it is hard to accept this contention, this leaves us with the second version: You wanted to become a part of the financial-political elite.

The question: Would you become part of any government, and in what capacity?

[Mavrodi] As is known, I did not "provoke a conflict with the government"—it was the government that provoked a conflict with me. By the way, in saying in your previous question that I, as you put it, from the very beginning could not count on great love on the part of the government, you seem to be fully aware of it. As to stockholders, they actually were the ones who figured out quickly what was what, so I do not have to be afraid of their wrath. To prove the point, I will be happy to leave this prison cell any moment, and with great pleasure.

Generally, in this connection I have to point out that our prison is not exactly a resort, where you can "sit things out." So before coming up with such suggestions, some journalists should perhaps research the subject first-hand, since it is rather easy to do these days. I could recommend, for instance, publishing something in my defense. As to your second version, I do not quite understand which "financial-political elite" you are talking about. We do not have any financial elite—there are simply a number of people who for some or other reason have found themselves closer to the feeding trough and have managed to grab something for themselves in time. In most cases they are our former party and Komsomol [All-Union Leninist Communist Youth League] leaders and other nomenklatura figures of all colorations, or their nearest relatives. I personally have absolutely no interest in them, in any capacity—either as friends or as enemies.

As to my potential participation in some government, I can tell you that I am currently very happy in my present capacity as MMM president.

[ARGUMENTY I FAKTY] What advice would you give to the current leadership in the area of finance, business, or policy in general?

[Mavrodi] It is useless to give any advice to the current leadership.

[ARGUMENTY I FAKTY] You suggest that the current rulers should step down. They will be replaced most likely by Zyuganov, Rutskey, or Zhirinovskiy.... Do you think it will be easier for you to conduct business then?

[Mavrodi] If I firmly believe that this is necessary for my motherland, I will run for president myself.

[ARGUMENTY I FAKTY] The entire AO MMM propaganda and advertising campaign was put together very professionally. Where did you learn so much about mass psychology? Or did you have some help?

[Mavrodi] I did not have any help, and I do not have any special training in this area.

[ARGUMENTY I FAKTY] It is quite obvious to everyone that AO MMM's advertising is clearly excessive, and in this volume and method of delivery stultify the people. Why waste money?

[Mavrodi] Advertising cannot be excessive.

[ARGUMENTY I FAKTY] Did you return to stockholders the refund for the advertising ARGUMENTY I FAKTY did not publish?

[Mavrodi] You yourself returned it (for no good reason, by the way), by transferring it to the AO MMM operating account. I do not own AO MMM—I am only its president. The owners of any joint-stock society are its stockholders.

[ARGUMENTY I FAKTY] And lastly. Mr. Mavrodi, can you promise firmly that all MMM stockholders will get what you promised them? By which part of the anatomy (remember, Gerashchenko promised to have his hand cut off if the currency reform goes through, and Yeltsin—to throw himself on a rail track if prices go up) do you guarantee this?

[Mavrodi] Without question. As to body parts, I want to point out in this respect that forfeiting one's promises results, as is known, in disgrace, that is, a loss, generally speaking, of honor.

For the lack of such, one can try of course, if all else fails, to offer a body part instead. Fortunately, unlike our politicians, so far I have no need to come with this sort of initiatives.

Lack of Money, Indifference Hamper Solving Refugee Problems

944F1546D Moscow IZVESTIYA in Russian
22 Sep 94 p 5

[Article by Besik Urigashvili, IZVESTIYA correspondent: "They Did Not Wait: Russian Authorities Not Only Have No Money To Help Political Refugees, It Seems They Also Lack the Will"]

[FBIS Translated Text] According to figures from the Federal Migration Service, approximately 500,000 refugees with no legal status are currently living in Russia. Many of them are in a bitter struggle for survival and are often subjected to persecution and humiliation. Nor do they have anything to hope for. Particularly the ones who claim political refugee status.

If You, Pardon Me, Were an Ethiopian

There were special events in the life of every Soviet citizen. Among those notable dates was the day one received one's passport, which as a rule turned a carefree idler into a patriot and citizen responsible for the fate of a great power.

Khakim Bendzhid (his name has been changed at his request) was unlucky in this regard. He was born in distant Ethiopia, which due to a geographical singularity was unable to become a full-fledged member of the mighty and indestructible family of friendly peoples. Therefore he was not originally admitted to the great mystery of enlightenment. But human beings are the

crown of nature's creation and forge their own fortune. Bendzhid forged his fortune in the revolutionary struggle against the hated Ethiopian monarchy. In return he was sent by the leader of the Ethiopian Marxists, Col. Mengistu Haile Mariam, to study all that was rational, good, and eternal at the CPSU Central Committee Academy of Social Sciences.

But by the time Khakim had fully mastered this great teaching, the Mengistu regime had collapsed and there was nowhere for an Ethiopian Marxist to return to. His entire real and personal property consisted of a suitcase full of clothes, bed linens, and numerous friends—his comrades from the academy who occasionally give Khakim something to eat and let him spend the night in a warm bed under a roof.

"I want to become a citizen of Russia, but I cannot manage it," Khakim said, describing his woes. "No one will listen to me. They say, go to Ethiopia, renounce your citizenship there, and then we will decide. But how am I supposed to get there?"

"I don't have anyone there, and there is nothing for me to do there," he continues. "I would go to America, or to Holland, but they won't give me a visa. And you can't get political asylum, either..."

Khakim goes on to tell the sad story of his wanderings from one office to another, ending in complete failure. It turns out that democratic Russia is not particularly eager to grant political asylum to the suffering, as that status presumes certain obligations on the state's part. And the state does not want to be obligated even to its own citizens, much less to foreigners.

Migration Service officials advised him not to dig too deeply and just thank his lucky stars that he has not been deported.

It may seem to some that Khakim's story is insignificant or even anecdotal. But behind the tragedy of one specific individual lies more serious problems. In the opinion of Aleksey Smirnov from the Moscow Center for Human Rights, a majority of these individuals do not receive any real assistance from state or nongovernment organizations, and are practically reduced to living on the street.

The main sources of refugees, besides the CIS countries, are Iraq, Iran, Somalia, Ethiopia, Afghanistan, and Sri Lanka. Many of the refugees were driven from their homelands by economic problems, and they consider Russia a transit point en route to the rich West of their dreams. But once they get to Russia, with its imperfect immigration laws and legal anarchy, they in effect find themselves trapped.

Incidentally, America itself has approximately 10 million illegal residents. Yet despite strict immigration laws no one in the United States is conducting a special hunt for these immigrants. Illegals are usually deported only

when they commit criminal offenses. And those who are threatened with death in their homelands are never deported.

Russian officials, in violation of every international law and basic human morality, have managed to cover themselves with shame by deporting Afghans from Krasnodar Kray back to Afghanistan, a place that is somewhat dangerous—to put it mildly—for them to be.

Not wishing to repeat the experience of those unfortunate Afghans, my Ethiopian acquaintance sank to the bottom and, to top it all off, lost his Ethiopian passport. Now he is calm, hopes for nothing, and has only one goal: survival.

Political Illegals

Meanwhile, life is often not so sweet in the Russian immigrant community for those who started out their journey with a red leather-bound document bearing a hammer-and-sickle emblem in their pocket. Bozor Sobir, a well-known Tajik writer and laureate of the Tajik State Prize, has long been attempting in vain to obtain refugee status. After spending nine months in a holding cell in his native Tajikistan and fleeing to Moscow to escape political persecution, he encountered an insurmountable bureaucratic machine here. He is essentially in the same position as an illegal immigrant, and every day in Moscow is a struggle for survival.

Surprisingly, almost none of his fellow writers have had anything to do with Bozor's case. Today he is kept afloat solely by support from several American humanitarian funds. Approximately 100 other journalists who fled from Tajikistan are in a similar situation. Only 13 have been granted refugee status.

However, asserts Oleg Panfilov, one of the journalists who did obtain that status, it is actually not worth much more than the paper it is printed on; even when you do have a document that proves that you are officially and legally resident in Russia you are still required to register with the rayon internal affairs office. There have even been cases of political refugees who have not been able to get registered in Moscow being forced to pay fines of R40,000 or even as much as R100,000.

Roughly the same problems are faced by political refugees from Turkmenistan and Uzbekistan. The Russian authorities do not even consider the latter group political refugees, because Russian official circles regard Uzbekistan as a democratic, law-governed state. The situation of many of these individuals is simply catastrophic, particularly against the backdrop of the unfair game that a majority of states in the former Soviet Union are playing with their own citizens. In contrast to political refugees and emigrants, members of those states' intelligence services can move throughout the territory of the

CIS unimpeded and thus can quite successfully terrorize the political opponents of several ruling regimes in the newly independent states.

Incidentally, Moscow has reported more than one case of attacks on human rights activists and dissidents, particularly those from the Central Asian states. None of those people feels adequately protected in Russia's capital.

An Endless Fight, and We Can Only Dream of the Law...

Politicians explain away the distinctive features of Russian democracy by citing its newness and the economic problems facing the country. But it is a well-known fact that it is as impossible to be partially democratic as it is to be partially pregnant—either you are, or you are not. And these sage pronouncements do not make it any easier for the poor mortals who have had to flee from their homes.

No one is calling for Russia to become the Eurasian immigration portal. But if problems do arise, they should be resolved in a civilized manner. For example, by introducing a strict visa system for residents of the "near abroad," since our next-door neighbors are none too kindly toward their elder brother. Or by developing a clear-cut mechanism for granting refugee or political refugee status. In short, an individual who enters the country not through taiga trails, but just bypassing our state's border patrol and customs barriers, should not have to feel like a criminal here.

Meanwhile, Vladimir Volokh, deputy head of the Federal Migration Service, stated to journalists a few days ago that the illegal immigration problem will be resolved in the near future. Border crossing points will establish immigration control posts. One such post is already in operation in Krasnodar Kray. Next in line are St. Petersburg, Stavropol Kray, and Maritime Kray.

Camps will also be set up to house refugees temporarily. According to the plan these will have fences and guards. I have no doubt that these camps will be ready fairly soon. After all, we do have a lot of experience building that kind of facility. But it is still not clear whether the guards will have trained dogs or not.

One question that remains open is the fate of the 500,000 refugees already living in the Russian Federation. Will massive dragnets be used against them, or will they be apprehended one by one when they submit applications for status as refugees or political emigrants?

And what about citizens of CIS countries who require no visa to enter Russia? Because in that case any restriction on the freedom of individuals who have entered our country quite legally is in fact unconstitutional and illegal.

Thus far government officials have no answers to these questions.

Prospects, Problems in Russia's Light Industries Viewed

944F1546C Moscow *RABOCHAYA TRIBUNA*
in Russian 21 Sep 94 p 2

[Article by Rafael Guseynov: "Wonderland: How Can Light Industry Return to Its Own Market?"]

[FBIS Translated Text] The Fashion Fair '94 show was held in Moscow.

On display were elegant, dazzling, and inexpensive models of contemporary clothing and footwear made by Russian and foreign firms. Of the three adjectives I just used, I would like to emphasize **inexpensive**.

Russians today are very familiar with items of *haute couture* worn by supermodels. Indeed, what more pleasant way to spend an evening out in the Russian provinces after spending a whole day in search of a pair of galoshes than to turn on the TV and watch charming Cindy Crawford or dazzling Linda Evangelista showing off their long legs in thousand-dollar outfits!

The fashion fair we want to talk about, the first of its kind, was a unique attempt to combine a show featuring products for the mass consumer with investment offerings for light industry, designers, and stores.

Can Russian fashion and Russian manufacturers of fabrics and clothing compete with manufacturers in foreign countries?

Above all Russia is a large and stable market. It seems that there is no a single Third World country that has not exported loads of junk to us, and still it is not enough. And there is another reason, one that is extremely important for anyone who can count: Light industry requires four times less investment per ruble of product than industry in general, while return on fixed assets is five times greater. Finally, in our impoverished situation, in which liquid assets are urgently needed every day and every hour, light industry provides an opportunity to turn money over quickly. Financial experts call this "short money."

A wonderland, it would seem, where you can plant a gold coin one evening and the next day have a tree with coins in place of leaves. But then why are our banks and other financial structures so cautious? Why do those whose job it is to ensure that light industry prospers look on so calmly as it is destroyed?

The present state of Russia's light industry is catastrophic. Output continues to decline. We are producing one-third or perhaps 40 percent of last year's production volume. The most critical situation is in children's clothing. This year we will produce only 13 percent as much of it as we did last year. So mothers of large families and unemployed fathers can forget about inexpensive winter boots or sandals. In their place you will find the brand names Nike and Adidas, which, now that they are well established in Moscow, have started

moving into the outlying regions. That kind of shoes for your child will cost between 60 and 150—dollars, of course.

Light industry is now approaching, and in a number of sectors has already crossed, the critical line (a 60 percent decline in production) beyond which an uncontrollable disintegration process begins.

Bitter though it may be to say it, the state has virtually abandoned the textile industry and light industry to their fate, not merely depriving them of their traditional financial support and increasing tax pressure, but also opening Russia's doors wide to dumping of foreign goods that could not be sold there.

Anyone who has visited Turkey or China can attest to the fairly high quality of products manufactured there. Large enterprises outfitted with modern equipment manufacture products to which manufacturers are not ashamed to attach their brand label. But those are the products one never sees in our stores. What one does find are items poorly sewn by cottage industries in Istanbul or Shanghai, hastily made but carrying an Italian label, and with no certificate of quality, of course—and spreading everywhere, literally weighing down our store shelves. Of course their value is paltry. But people buy them, because there is no choice.

However, after attending the show and meeting with experts, I feel that I can express some cautious optimism.

Russia's textile industry and light industry had and to a great extent still have a skilled work force. Many enterprises are equipped with modern equipment, mainly imported, equipment that is still functional. The greatest shortage is of raw materials, as well as advanced technology. Incidentally, the latter point is one of the most difficult. Even when high-quality raw materials are available and items are well made, they fail to be competitive because the styles are so far behind the times.

This strange example was related to me by someone who works in light industry. Even today in regions of Russia where the temperature goes below 10 degrees Celsius in the winter everyday attire consists of a quilted jacket. At some point in the past the keen mind of the Russian peasant gave birth to this unattractive but important item of clothing. This may come as a surprise to many people, but the famous quilted jacket is not only the object of cartoonists' diligent efforts, but also an item of clothing that is happily worn and eagerly purchased in China, Japan, and Canada. And some resourceful businessmen could make their fortunes selling them in the West.

The unknown fashion designer who came up with the quilted jacket clearly gave some thought to practicality, comfort, and low price. But is it not amazing that the fabric quality, trim and colors have not undergone any changes all these years? Of course I am not talking about sewing a padded jacket in the style of a Wersach or a

Cardin, but we could long ago have given some thought to bringing this garment a little closer to modern standards.

The show also included a conference, participants in which concluded that they regard light industry as a key factor in Russia's economic revitalization.

The following are two opinions expressed by individuals who attended that conference.

Valeriy Viktorov, deputy chairman of the Russian Federation Council: "The economic development of tens of Russia's regions and the fate of millions of people depend on the normal operation of light industry and the textile industry. Many major population centers that have for years lived off of these enterprises are today being transformed into poverty-stricken towns. Another factor that is painful to note: This is an industry dominated by female labor. At some enterprises the female contingent is 70-90 percent, and it is clear who is suffering the most as a result of the industry's crisis."

"I want to say frankly that the Federation Council, which represents Russia's regions, will continue to lobby for and protect their interests. Development of and support for light industry is among our top priorities."

"One route that appears promising to me is the establishment of interregional financial and industrial groups. That policy follows logically from efforts to create a unified economic space with participation by all the former republics of the USSR."

Vladimir Melentyev, general director of Burda Moden Joint Stock Company: "Our enterprise was one of the sponsors of this show. More than 10 different Russian-language magazines are currently being published by Burda Moden in Russia. I want to stress that our publications are primarily oriented toward people who are not wealthy. They also take into account the ethnic traditions of the peoples that inhabit Russia, and the purely Russian custom of the housewife sewing clothes for the entire family."

"We are convinced that development of Russia's light industry is the future. All the prerequisites for that already exist. Burda Moden stands ready today to participate in the establishment of a center for our domestic clothing industry. That center's products would be aimed at the middle segments of the population, the ones that cannot afford expensive imports, and get nothing more than aesthetic satisfaction from the products of elitist Russian designers..."

One can only hope that the optimism of those attending the show will be backed up by government concern and support, and that the Russian textile industry can return to its own market, not as a Cinderella at someone else's ball, but instead as the one that decrees the laws of fashion.

Problems on Path to Realizing Caspian Oil Deal Noted

944F1572B Moscow *SEGODNYA* in Russian
22 Sep 94 p 1

[Article by Rustam Narzikulov: "The Oil Deposits of the Caspian"]

[FBIS Translated Text] In order to realize the "project of the century" for extracting 500 million tonnes of Azerbaijan oil which was signed in Baku yesterday, the following 3 Caucasian political conflicts must be resolved at once: the Armenian-Azeri conflict, the Georgian-Abkhaz conflict, and the conflict within Chechnya. By a strange confluence of circumstances, existing projects for transporting shelf oil from the Azeri, Chirak, and Gyuneshli fields envision laying an oil pipeline across the territory of precisely these warring parties:

—from Azerbaijan (including across the territory of Nagorno-Karabakh) through Armenia to Turkey and ending at the Mediterranean Sea;

—from Azerbaijan through Georgia to Turkey and then along the same route;

—from Azerbaijan through Dagestan to Chechnya and further to the Novorossiysk port on the Black Sea.

There is a fourth alternative for transporting the oil—from Azerbaijan through Iran to Turkey; the attractiveness of this alternative to the consortium of Western companies is surely not greater as compared to the first three alternatives, taking into account the sad experience of the expropriation of the oil and gas infrastructure during the Iranian revolution of 1979.

Despite whatever loud public announcements persons participating in the multibillion dollar deal might make, not one of the Western companies will invest a single cent in the pipeline's construction without first obtaining political guarantees of the inviolability of their property in the countries listed. It would seem that given the background of utter political instability in the Transcaucasus, Russia should not fear that a powerful oil rival will arise near it and protest the start of work on the shelf. Nonetheless, on the same day the contract was signed in Baku, the RF MID [Russian Federation Ministry of Foreign Affairs], represented by Mr. Karasin, announced that Russia would not recognize this agreement, "with all ensuing consequences" (the simplest and most tangible consequence is blocking the transit of Azerbaijan oil already being extracted).

The MID, in this case conveying the opinion of some oil and gas circles of Russia, was thus actually alarmed at the treaty signed, and not without reason. In itself the project (if the geopolitical obstacles are eliminated) is extremely advantageous: With an investment of \$8 billion, the value of just the crude, unrefined oil extracted in the Caspian will be at least \$50 billion.

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It is precisely the high effectiveness of the project that allowed the consortium to agree to Azerbaijan's 80-percent participation in the profits, especially since until the point where the expenditures are recovered, the investors will distribute profits according to their shares (the Azerbaijan company SOKhAR will be satisfied with 20 percent). In comparison with the declared profitability of the extraction, the bonus of \$300 million to the local government (and "in parts" rather than at one time, as Geydar Aliyev announced) as well as paying for a three-year serial visit by numerous Baku guests in all the world's oil capitals seem trivial.

The Russian MID is displeased that by signing a contract for exploiting the major deposits, Azerbaijan performed a de facto demarcation of the Caspian shelf on the "lake" principle, where the "shares" of the coastal states are determined by the extent of their coastal borders.

The LUKoil Company refused to comment on the MID announcement, which seems completely logical from the standpoint of its participation in the consortium. Unlike the RF MID, LUKoil has already realized Russia's geopolitical advantages—the transit monopoly was most likely the main factor in the company's inclusion among the consortium's participants at the last moment.

The 10-percent participation of LUKoil in the project means the company must invest \$800 million, while its financial status is by no means glowing as a result of the crisis in the oil market within Russia and the substantial volume of nonpayments. Attracting foreign investors to the company and subsequently transferring the attracted capital to the Caspian would be the only way to resolve LUKoil's money problems.

(For the opinion of the Azerbaijan side, see the report from Baku on p 5.)

Statistical Data on Russia's 'New Poor' Provided

944F1572A Moscow *RABOCHAYA TRIBUNA*
in Russian 24 Sep 94 p 2

[Article by Arkadiy Solovyev, under the "Reforms Without Illusions" rubric: "Aliens on the Ladder of Fortune"]

[FBIS Translated Text] **The impoverishment of part of Russia's population has been the most characteristic feature of the market reforms begun by Gaydar and continued by the ruling cabinet. That is certainly recognized both in scientific circles and in sociopolitical ones. Statistics also confirm the negative trend and attest that one out of every four citizens of our "social state" lives in poverty and is unable to acquire even the physiological set of consumer goods and services.**

The very profile of poverty has changed in the last year. Earlier (1991-1992), for the most part the underprotected categories of the population, disabled persons and pensioners, children and youth, and declassé elements, were poor. But now a different category of citizens is

replenishing this ever-growing group—men and women of working age with excellent skills and education.

This group of citizens has gotten the modest name of the "new poor." One need only clarify that since this means physiological survival, the term "new indigent" is more appropriate.

To confirm this, allow me to cite a few statistical figures. The proportion of the destitute among all groups of the population is less than one-quarter. Among people working at the start of the second half of the year, it was almost one-third (29 percent). I must also mention that the situation is much worse in certain sectors, regions, and closed cities and logging, construction, mining, and other settlements. There the proportion of the new destitute is 90-96 percent of the population. Essentially it is everyone, with the exception of state employees from the local administration, directors, and "boat entrepreneurs."

Then are perhaps two-thirds of the working people prosperous? Just how are they distributed on the ladder of fortune, the "income pyramid"? It so happens that there has been no pyramid for a long time: There is a melancholy and flat desert, and amid the infinite emptiness is an oasis that shelters 3 percent of the super-rich (this includes the slightly more than 1 percent of working people who have wages of more than 1 million rubles).

But an absolute majority (85 percent of working people) are unable to support their families (on the average, each working person in the country has one dependent) even at the threshold of the poverty level.

The minimum consumer budget, which, unlike the physiological subsistence minimum, is figured not only for physical survival but also for reproduction of work force, determines the poverty line, as is well known. But the figure cited means that only one out of six working people receives wages of more than two minimum consumer budgets.

Government apologists traditionally assert that wages should not include supporting a dependent, since the latter receive state social benefits. But all types of benefits are so insignificant and incommensurate with the subsistence minimum and the average wage that in principle they can be disregarded altogether. Most benefits for children, stipends, social benefits, and so forth are calculated from the minimum wage and at times barely amount to half of it. And the gap between the minimum wage and the average wage in most sectors is steadily rising and already exceeds a factor of 10-11.

But even if one rejects such, in the opinion of some leaders, "exaggerated" "dependent" demands on the standard of living of working people and the population as a whole and returns to the poverty line, the physiological subsistence minimum, even then, almost 60 percent of workers do not have the wage needed for this.

And whole sectors, tens of millions of people, barely reach the physiological survival norm guaranteed by the state: agriculture and machine building, the textile and light industries, culture, public education, and health care.

In all fairness, the market reorganization of the structure and volumes of consumption should mean returning to working people the share of surplus product that was "held back" from them in general, and the basic share of wages in particular. But nothing even close to this has happened or is happening. It is even the opposite: What was accumulated in material and monetary form by generations of Soviet people has disappeared.

It is precisely the squandering and plunder of public consumption funds that is the main reason for the total and instantaneous impoverishment of the citizens of our country.

Fertilizer Shortage Plagues Russian Crop Production

Impact Shown in Declining Yields

944K2428A Moscow ZEMLEDELIYE in Russian No 4, 1994 (signed to press 15 Jun 94) pp 2-3

[Article by D.M. Khomyakov, candidate of biological sciences, Moscow State University: "Acute Problem in Russian Farming"]

[FBIS Translated Text] The methods employed until recently in the use of Russia's farmland were primarily extensive. The quantity of nutritive elements removed from the soil with the harvest always exceeded the quantity added to the soil in the country as a whole (see table). In the last two years the situation has grown worse, with indicators harking back to the level of the 1960s. There is little hope of improvement in the foreseeable future.

In view of the fact that nutritive elements and humus are also lost as a result of surface runoff, subsoil leaching, and wind erosion, we can confirm the progressive deterioration of Russia's farmland.

Science and practice have proved that the dynamic development of farming in Russia will be conditional upon the application of sufficient quantities of mineral and organic fertilizers and meliorative agents to agricultural land. World experience has demonstrated that we have no other choice!

For many years the state subsidized agriculture with budget allocations to finance the liming of acid soils, the addition of phosphorus to soil with a low phosphorus content and of gypsum to alkaline soils, the application of peat and manure compost, and other work for the maintenance and expanded reproduction of the fertility of farmland. Besides this, the prices of mineral fertilizer were kept at an affordable level. In the present economic situation it is becoming absolutely unprofitable to use chemicals in farming!

Productivity of Farmland and Fertilizer Use in Russia

Indicators	1966-70	1971-75	1976-80	1981-85	1986-90	1991-92
Grain harvest, tonnes per hectare	1.35	1.35	1.48	1.40	1.74	1.72
Mineral fertilizers, kg per hectare	28	48	65	83	89	60
Nutritive substances removed from soil, kg/ha	88	89	96	91	113	112
Balance, +/- kg/ha	-60	-41	-31	-8	-14	-52

Now there is no more centralized financing for cultivation and only negligible financing from local budgets.

The use of mineral and organic fertilizers has declined sharply since 1992 in connection with the high prices of fertilizer and fuel.

All centralized operations for the application of peat and manure compost and the addition of lime and phosphorus to the soil were stopped completely throughout Russia in 1993 because of the lack of budget funding.

In accordance with programs for the enhancement of soil fertility and the development of agricultural production, the Russian Ministry of Agriculture and Food planned to increase the average yield of grain to 2.2 tonnes per hectare by 1995 and to apply an average of 143 kilograms of mineral fertilizer per hectare, with a zero balance (with nutritive substances removed from the soil

equivalent to the quantity added). According to our estimates, the actual quantity to be applied in 1994 will be no more than 10-30 kg per hectare. There is a similar situation with regard to chemical meliorative agents and organic fertilizers. This kind of extensive use of soil fertility will reduce yields by one-third to one-half in the next two or three years and will cause the irreversible degradation of Russia's soil cover.

The Ministry of Agriculture and Food's forecasts of national food resources in 1994 predict a gross grain yield of 89 million tonnes (90 percent of the 1993 figure and 83 percent of the 1992 figure). The estimate in our forecasts is no more than 60-75 million tonnes. The yield of sunflower seeds and flax will decrease by 20-30 percent, and the yield of potatoes and sugar beets will be reduced by 10-20 percent. It is highly probable that soil fertility will be reduced even more by bad weather in

1994/95. The flooding which already damaged crops on hundreds of thousands of hectares is one example of this.

We know that only part of the increase in the yield of all crops is due to fertilizer applications in the current year. The long-term cultivation of soil, including comprehensive reclamation and regular applications of mineral and organic fertilizers, plays a much more important role in the level and stability of crop yields.

In Russia the acid soil boundary is gradually moving south. Areas of highly acidic soil have grown considerably even in the chernozem zones of Lipetsk, Ulyanovsk, and Penza oblasts and Krasnodar and Stavropol krais. In 10 years the area of acid soils just in the chernozem zones has increased by 1.5 million hectares.

The continued large-scale sales of mineral fertilizers outside Russia are actually sales of grain. After all, a kilogram of nutritive substances (fertilizers) produces 4-8 kilograms of grain. In 1993 we exported 40 percent of all the nitrogen and phosphorus fertilizers and more than 70 percent of the potassium fertilizers we produced, and this was accompanied by a 22-percent decrease in production in comparison with 1992 figures and the reduction of their consumption in agriculture by half. According to the data of the RF Ministry of Economics, exports of mineral fertilizers in the first quarter of 1994 amounted to 30 million tonnes, or 125 percent of the 1993 figure. Why is our government allowing sales of fertilizers and the raw materials for their production with minimal export duties?

Broad-scale sales of fertilizer abroad are fostered by the imprudent discrediting of chemicals under the guise of a struggle for environmentally clean produce. We need a professional and prudent approach, and not the approach of a dilettante. We need to improve the quality of fertilizers and to promote their correct and efficient use instead of discouraging the use of mineral and organic fertilizers. The rejection of mineral fertilizers today will lead to the dramatic reduction of the yield and gross harvest of agricultural crops and send us down the road to starvation. Russia has 36 million hectares of farmland with a low or extremely low content of soluble phosphorus, for example, and the application of phosphorus fertilizers here is responsible for at least one-third of the harvest and heightens the effectiveness of other fertilizers. The amount of grain that would be lost each year in the non-chernozem zone if phosphorus were not added to the soil would total 3-4 million tonnes, and the amount in Russia as a whole would be 20-30 million tonnes.

Deliveries of phosphorus fertilizers to agriculture in our country, however, decreased from 4.7 million tonnes in 1988 to 1.7 million in 1992 and no more than 900,000 tonnes in 1993, although the scientifically substantiated minimum requirement is 6-7 million tonnes. This has been accompanied by intensive exports of Russian raw materials for the production of phosphorus fertilizers to Western Europe. Because our raw materials are the

cleanest in the world in the ecological sense, the cost of processing them is much lower and the resulting fertilizers contain only minimal quantities of pollutants (cadmium, arsenic, and others).

We cannot continue to tolerate the present situation with regard to mineral fertilizers—both the reduction of their use and the low technological and ecological standards of their production.

The solutions to these problems will not be easy, but they will be vitally necessary. The problems can be solved if the comprehensive state program for the enhancement of soil fertility in 1993-1995, approved by the RF Government, is carried out in its entirety.

Reasons for Shortages Explored

944K2428B Moscow SELSKAYA ZHIZN in Russian
18 Aug 94 p 2

[Interview with Anatoliy Nikolayevich Kondratenko, chief specialist of Russian Ministry of Agriculture and Food, by Artur Orlov; date and place not given: "No Nitrates, No Vegetables..."]

[FBIS Translated Text] There is an old adage that a cold May means a good grain harvest. May was cold this year, but the adage probably will not be confirmed. There are valid grounds for this discouraging prediction. The main one is the reduction of soil fertility as a result of the disastrous shortage of mineral fertilizers. Officials in the Russian Ministry of Agriculture and Food believe that this depressing situation is due, on the one hand, to the work stoppages at so many chemical enterprises producing mineral fertilizers and, on the other, to the complete insolvency of our peasants, who still have not been paid in full by the government for last year's harvest. This led to a sharp decrease in fertilizer use, which can be judged from the table headed "Agrochemical Work."

Agrochemical Work				
Fertilizer applied, millions of tonnes	1986-90	1991	1992	1993
Organic	482	347	268	229
Mineral	12.9	10.1	5.5	3.7
Lime	39	28	21	15

The days when unclaimed bags of white and gray powder littered the fields are gone. They were split by hail, soaked by rain, and carried away in the turbulent current of spring floods. Today a private property owner who wants to tend his vegetable garden has to pay 2,000 rubles for a 3-kilogram package of mineral fertilizer. Why are we even discussing nitrates? This year, judging by the other table, many oblasts could be left without any mineral fertilizer at all. No one knows what they will be able to grow.

Fertilizer Applications			
Locations	1986-90, annual average	1993	1994
National, kg/ha	99	29	3
Oblasts chosen at random:			
Volgograd	50	3	0
Saratov	45	2	0
Rostov	76	15	100 grams
Orenburg	25	3	0
Altay Kray	32	2	0
Novosibirsk	33	1	200 grams
Omsk	37	2	0

[Orlov] What should we expect in fall?

[Kondratenko] The quantity of fertilizer applied to this year's harvest was one-fourth of the amount used in the years of stagnation. In view of the present shortage of nutritive substances in the soil, the forecast is depressing—agriculture will be short around 30 million tonnes of products, calculated in grain units. The population will have enough grain for bread and noodles, but the output of meat and dairy products could be reduced by a third. This will have the worst impact on children and the elderly, and this means that life expectancy in our country will be reduced even more.

Applications of mineral fertilizers in some oblasts have reached the point of 3 kilograms per hectare of farmland. This is only a fraction of the amount applied in countries selling food to us. Meanwhile, our chemical combines, the largest in the world, have had to ask their employees to take unpaid leaves. It would be difficult to blame this on the incompetence of national leaders. I think all of this is being done deliberately.

[Orlov] What are the grounds for your conclusion?

[Kondratenko] We buy products in stores each day. We do not get them on credit. Then why has the state still not paid farmers for the products we ate last year? When you are shocked by the prices in stores, you know that bank credit represents up to half of the production costs. Peasants are also wondering how the prices of products double or triple on the way from the fields to the store counters, making them unable to compete with their foreign counterparts.

Agriculture not only produces our food, but also provides jobs for millions of workers in industry. By purchasing food abroad, the state is sentencing its own people to a near-starvation diet. Last year the government paid the Russian peasant 60,000 rubles for a tonne of grain, but the American farmer was paid around 100 dollars for the same tonne—i.e., three times as much. In addition, there were shipping costs to be paid. Does this make any sense? It is true that the president has promised that we will not be buying grain from America this year. Thank God for small favors, as the saying goes.

[Orlov] Let us return to the topic of mineral fertilizers. The thinking of many people is still influenced by a theory the democrats once advanced in their struggle for power: the idea that mineral fertilizers cause all kinds of health problems because they determine the nitrate content of fruit and vegetables.

[Kondratenko] These fears are largely unfounded. The nitrate content of produce depends not only on the quantity of mineral fertilizer used, but also on organic fertilizer and even on the weather. This year, for example, the danger lies in a completely unexpected place: Around 200 million tonnes of manure—more than a tonne per capita—accumulated over the winter in animal husbandry complexes. Now the liquid dung is polluting rivers, lakes, and ground water. Today people can get a dose of nitrates not from a cucumber, but from a mouthful of ordinary drinking water.

A cartoon in LITERATURNAYA GAZETA depicting an apple with lupine teeth chasing a man bore the caption "Nitrates!" I want to stress that there are no nitrates in fresh apples or in any other fresh fruit. Today our fruit is likely to have a bite in a different sense.

[Orlov] How can nitrate levels be controlled?

[Kondratenko] There are regulations governing the use of mineral fertilizers. There are chemical stations, agrochemical services and laboratories, and other special agencies exercising the necessary oversight of fertilizer storage and use and conducting produce quality control to monitor the content of nitrates, heavy metals, and pesticides. The agrochemical services are supposed to issue certificates of produce quality.

I repeat, however, that the content of nitrates in the soil and, therefore, in fruit and vegetables is not a problem today. On the contrary, as I have already said, our present problem is the shortage of mineral fertilizers and the impossibility of using even our existing supply of fertilizer in its entirety because of the absence of storage facilities, the inadequate material and technical base, and several other reasons. Our soil is suffering from this shortage.

One out of every three hectares of farmland in the Russian Federation has a low content of humus and phosphorus and is highly acidic. This is the reason for the low yield there. The government approved a state program for the enhancement of soil fertility, but officials from the Ministry of Finance decided that it should be financed by local budgets, which cannot even afford to fill the gaps in health care and public education.

The soil fertility service which took 20 years to establish is falling apart today. Because regional associations of the chemical service have no orders for agricultural chemical operations and have had to seek jobs in other areas, they might never work for agriculture again. Tens of thousands of vehicles and pieces of specialized equipment are rusting and being written off, railroad warehouses for mineral fertilizers, liming materials, and

pesticides are being closed, and the most experienced machine operators are looking for another way of making a living. The new family farms will be hit hardest by the absence of this service. Does it make any sense to put up the new walls in a building while we are demolishing the foundation?!

[Orlov] What is the solution?

[Kondratenko] The problem of mutual nonpayment has to be solved. This vicious circle has to be broken. This year we have to find the resources to maintain soil fertility at least in the non-chernozem zone and the Far East. We have to start working on the 1995 harvest today. We have to apply around 50 million tonnes of

mineral and lime fertilizers and 300-350 million tonnes of manure and compost to the soil starting in fall. Incidentally, these are the actual figures of the years of stagnation. Farmers cannot afford to pay 213 percent on credit for agrochemical work. The Ministry of Agriculture and Food and the RF Committee on the Chemical and Petrochemical Industry propose the institution of agrochemical drafts as a means of payment for fertilizers and chemical meliorative agents in all stages of production, including resource extraction, power engineering, and shipping, to end the mutual nonpayment impasse.

Now everything will depend on the decisions of the Ministry of Economics and the Central Bank.

POLITICAL AFFAIRS

Tatar Leader Views Crimea Situation

944K2408 Kiev NEZAVISIMOST in Russian
23 Sep 94 p 6

[Interview with Crimean-Tatar Mejlis Deputy Chairman and Kurultay Chairman Refat Chubarov by Sevl Kurshutova: "Do We Have to Make the Same Mistake Twice?"]

[FBIS Translated Text] **From the NZ files:** *Refat Chubarov, the deputy chairman of the Mejlis of the Crimean-Tatar people and chairman of the Kurultay faction, was born in 1957 and completed the Moscow Historical Archives Institute. He is married with two children. Before coming to Crimea, he was the director of the Archives of the Latvian Republic. He has been in Crimea since 1989. Today he is one of the most authoritative politicians in Crimea. This is acknowledged by his political opponents as well as his supporters. In the words of the leader of the Crimean communists, Leonid Grach, "A person with great potential, which must be used for the good of Crimea and the Crimean Tatars, has appeared in the kaleidoscope of Crimean politicians. Great intellect, cultivation, flexibility and purposefulness are successfully combined in Chubarov as a politician. He has been able to move beyond interests of a purely nationalistic nature. I would not say that about any other politician."*

[S. Kurshutova] How do you evaluate the current political situation in Crimea, and what should we expect in the near future?

[R. Chubarov] Crimea is one of the regions of Ukraine, and the same processes that are transpiring in our nation—a sharp drop in production, a catastrophic impoverishment of the people, and a rapid rise in the crime rate—are characteristic of it as well. We have our own, Crimean conditions at the same time, that worsen even further the already grave socio-economic situation of society; I have in mind here the opportunism and political incivility that are characteristic of the administration of Crimea. All of this taken together arouses fear and a lack of confidence in tomorrow among the people.

If the politicians in Crimea continue to ignore the existing legal realities, and first and foremost the circumstance that Crimea is in a unified legal field with the state of Ukraine, then we should expect increased tensions.

I would like to see the new President of Ukraine not repeat the mistakes of the past—the Crimean problem cannot be fairly resolved without the simultaneous resolution of the Crimean-Tatar problem. The Supreme Soviet of Ukraine has a special responsibility in this regard: the Law on the Restoration of the Rights of the Crimean-Tatar People, which clearly stipulates, relying on international norms and standards, the forms and mechanisms for restoring the rights of the indigenous people of Crimea, must be adopted (at last!) before the end of this year.

[S. Kurshutova] The coming to power of Leonid Kuchma in Ukraine has elicited a certain euphoria among the ruling circles of Crimea, who nourish the hope that the new President will "let" Crimea go to Russia. How well founded are those expectations, in your opinion?

[R. Chubarov] I feel they have no foundation whatsoever. Politicians should understand that the institution of the presidency is effective only when he consolidates society, when the President acts as the guarantor of the security and integrity of the state. I have no doubt that such an experienced politician as Leonid Kuchma understands perfectly well his purpose as the head of one of the largest states in Europe, and his actions will be directed only toward strengthening Ukraine as an independent nation.

[S. Kurshutova] Has Kiev, in your opinion, always reacted suitably to the processes that are taking place in Crimea?

[R. Chubarov] Kiev possibly reacts suitably in the end, but the effectiveness of the measures being taken, after all, depends largely on their timeliness. One can say with all certainty that the leadership of Ukraine is always late in making decisions on the Crimean problem. This disease was also characteristic of the previous leadership of Ukraine, and has unfortunately now been passed on to the new President as well.

The famous decision of the Sevastopol City Soviet on the transfer of the city of Sevastopol to the jurisdiction of Russia was made on August 23 of this year, on the eve of the Independence Day of Ukraine. If such an action had been taken in any other nation, say France or Germany, then the appropriate actions would have been taken the very next day, right up to the severest ones envisaged by national legislation, to curtail the anti-constitutional decisions! But from Kiev came admonitions and persuasion once again. But that stage has already passed. Do we need to make the same mistake twice?

[S. Kurshutova] How do you regard the activity of the Crimean parliament over the last few months?

[R. Chubarov] The Supreme Soviet of Crimea, taking into account the political situation in the republic, had every opportunity to halt the schism in society. Only one thing needed to be done for that—consider the socio-economic issues first and foremost, and not make political decisions that lead to conflict with Ukraine. If our parliament had begun its work starting with what has been discussed since the first days of activity of the Supreme Soviet of Crimea, the deputies of the Kurultay faction would perhaps be talking about some political results now. But the Supreme Soviet of Crimea has created even greater problems than it has solved. The overwhelming majority of the decrees and laws adopted, after all, have no legal foundation whatsoever and contradict international norms and the existing legislation of Ukraine; we are not implementing them accordingly.

[S. Kurshutova] The relations between the parliament and the President of Crimea have undergone a marked change of late. What is the cause of the confrontation of legislative and executive power?

[R. Chubarov] The main cause for the confrontation is a very simple truth—a politician should fulfill the promises made to the voters. More than seven months have now passed since the election of Yu. Meshkov as president, but only one of all his promises have been fulfilled—Crimean time now corresponds to Moscow time. But nothing has changed for the inhabitants of Crimea from the change in the hands of the clock; the promised wages and pensions in Russian rubles are not there, and instead of a rise in well-being there is even greater impoverishment; that is not to mention the assurance of putting an end to the wild outburst of crime in two or three months, since Crimea rattles with bursts from automatic weapons and the explosions of grenades every week.

The deputies of the Russia faction came to parliament with such populist slogans. Both Yu. Meshkov and the majority of the parliament understand very well that tomorrow the voters could demand what they were promised. And insofar as the President of Crimea and the Russia faction, which formed all of the leadership structures of the Supreme Soviet, do not know how to solve these problems, the sides are trying not so much to seek out the causes of their failures as to find an enemy who is supposedly keeping them from carrying out their mission. The president, so as to reinforce his tottering position, creates the face of the enemy from parliament, which in turn explains the main cause of its own failures as the poor work of the government headed by the president—or more accurately, obligated to head it under the Constitution of the Republic of Crimea but actually doing so only occasionally.

If we were to seek out the true causes of the wretched state of the economy of Crimea, they consist of the fact that the administration of the republic has entered into sharp confrontation with Kiev, and the responsibility for that lies with the president and leadership of the Supreme Soviet. No one will ever come to Crimea with his capital under any conditions until there is political stability on the peninsula. You don't need to be a Solomon to comprehend that truth.

[S. Kurshutova] So just what are the President and the Russia faction hoping for?

[R. Chubarov] It is difficult to say what they are hoping for, but when a false path was chosen from the beginning and some portion of it has already been covered, one must have sufficient courage to leave that path. The political forces that have come to power in Crimea have become hostages of their unrealistic ideas and promises. They were trafficking during the election campaigning in the wholly understandable aspirations of the population of Crimea, the overwhelming majority of whom are emigres from Russia. These people are not to blame that

they do not understand the impossibility of realizing the promises made to them. But the politicians who have taken the path of knowingly deceiving the voters know what they have wrought. The time has come to pay up—and Allah grant them the wisdom to understand that tranquillity in Crimea will come when the interests of the Ukrainians and the Crimean Tatars, and not only the Russians, are satisfied to an equal extent.

[S. Kurshutova] During the presidential campaign in Crimea you compared Meshkov with Zviad Gamsakhurdia, and predicted a short political future for him. Has your prediction been justified?

[R. Chubarov] I really did permit myself that comparison, having in mind just the fact that Meshkov, like Gamsakhurdia, will be given a brief time to rule, because then his intolerance of the opinions of others and his certain pathological hatred toward political opponents would become clearly visible, and that would not lead to the stability of society. I will not repeat in this regard the opportunism of his plans in the area of reshaping the border between Ukraine and Russia. And I think today that if Yuriy Meshkov does not rethink his course of conduct, then he will not make it to the end of the term stipulated by law.

[S. Kurshutova] The attempt at a coup d'état undertaken by President Yu. Meshkov on September 11-12 has largely confirmed your predictions. But how would you comment on the recent events in Crimea?

[R. Chubarov] The events of recent weeks, where President Meshkov has signed a series of edicts that grossly flout the legislation of Ukraine and Crimea, including a number of articles of the Constitution of the Republic of Crimea, in my opinion, have convinced even the erstwhile staunch proponents of Yuriy Meshkov that this politician will be guided by any means, without regard for the law, to attain his goals. What lies ahead? Even the most foolhardy opportunist, not devoid of the instinct for self-preservation, can come to his senses, look around and correct his actions so as to avert a worse variation of the development of events in society. This unfortunately does not pertain to President Meshkov, since the attempts of members of the Presidium of the Supreme Soviet of Crimea and its chairman to enter into a direct dialogue with the head of the executive branch, so as to emerge from the crisis with honor, have gotten no response on the part of the president. The tragicomic nature of the situation is that the parties find out about the intentions and actions of each other from reports from the information agencies. I think that even banana republics have not lowered themselves to such types of mutual relations between the two branches of power.

It is entirely obvious that the idea of Crimean statehood, which they are trying to realize despite the existing realities, despite the interests of the nation on whose territory the peninsula is located and despite the interests of the Crimean-Tatar people, is crashing.

[S. Kurshutova] Yu. Meshkov has permitted himself several sharp attacks recently against the Mejlis—the supreme representative body of the Crimean-Tatar people. What is that related to, in your opinion?

[R. Chubarov] Many people have come to power in Crimea today right off the street. These people do not want to learn how to manage. The decisions they make are not only not well-considered, but are even ruinous for Crimea. But there is, after all, a significant potential cadre in Crimea that has ended up with nothing to do, or who have bit parts. Most of the people have common sense in any society anyway. And whereas the stance of the deputies of the Kurultay faction caused some to be guarded at first, now the attitude is changing very rapidly in favor of understanding. We have begun to feel support from more than the Crimean Tatars alone. Could Yu. Meshkov, claiming the role of the sole defender of the interests of the citizens of Crimea, really care for that?

There is one aspect that defines the negative attitude of the president toward the Mejlis of the Crimean-Tatar people: our activity to attract the attention of the international community to the problems of Ukraine and the Crimean Tatars has begun to bear fruit. Crimea has recently been visited repeatedly by representatives of the UN, various other governmental and non-governmental organizations, the ambassadors of nations and invited politicians... They have virtually all discussed, with the leadership of the Mejlis, possible ways and mechanisms for resolving both the Crimean problem as a whole and the Crimean-Tatar problem. You know that Crimea has been visited twice this year alone by the Supreme Commissioner on the Affairs of National Minorities of the CSCE, Mr. Van der Stul. The result of our meetings was an understanding by the representatives of the CSCE, codified in the documents, of the fact that the state structures of Ukraine and Crimea should be in direct contact with the Mejlis—the supreme representative body of the Crimean-Tatar people—for the just resolution of all of the accumulated problems. Mr. Van der Stul, noting the positive significance of the representation of the Crimean Tatars in the parliament of Crimea, also considers it necessary to provide for the consolidation of that factor in the future. Now recall the repeated statements of Yu. Meshkov, including those made after his election as president, that the establishment of quotas for the Crimean-Tatar people would supposedly contradict the norms of international law and violate human rights...

[S. Kurshutova] Many have expressed apprehensions that the coming to power of L. Kuchma will be reflected negatively in the resolution of the Crimean-Tatar problem. Do you share those apprehensions?

[R. Chubarov] I would like to note here that separatism in Crimea has economic as well as political roots. Kiev, in resolving the political aspects of the Crimean problem, should thus devote maximum attention to economic issues as well, including the return of, and

amenities for, the Crimean Tatars. I would very much like to see the approaches to Crimea by the President, the Supreme Soviet and the government of Ukraine be uniform.

Now on the essence of the question, which evidently arose after one of the speeches of Yu. Meshkov, who declared that since the Crimean Tatars did not support Leonid Kuchma in the presidential elections, they have thereby determined his attitude toward their own problems. I do not even want to comment on that, that is a statement on the level of mediocre schoolchild and not a politician. The only one financing the return and amenities program today is the government of Ukraine. I have no doubt that the financing will be continued.

[S. Kurshutova] The deputies from the Russia faction often accuse you of adherence to the interests of Ukraine. Do you feel yourself to be more a Ukrainian than all of the Ukrainians living in Crimea in this regard?

[R. Chubarov] Let me recall a comparison that was drawn by the first chairman of the Crimean-Tatar government, Numan Chelebi Dzhikhan, in his speech at the first kurultay in 1917: "People of various nationalities live in Crimea, and we should see that they all bloom in vivid colors; then our native land will be the most flourishing place on Earth." It is most unfortunate that these words of Numan Chelebi Dzhikhan were not fated to come true. You know what upheavals occurred in Crimea after 1917.

I dream of a time when all who live in Crimea return first and foremost to their own origins, and start speaking their native languages once again along with the languages of those who live alongside them.

He who loves and preserves his own language, his own culture, his own customs will never have a hostile attitude toward another language and another culture. That is why I am a proponent of the resurrection of the Ukrainian and other schools, as well as the Crimean-Tatar ones. They speak a great deal in Crimea of the danger of Ukrainization and Tatarization. And that is while there is not a single secondary school with the Ukrainian language for teaching, and while we were barely able to open three Crimean-Tatar schools, but without textbooks or instructional materials, and much more.

A stable situation must be preserved on the peninsula in order to create a worthy life for the people of Crimea. Any attempts to reconsider the established boundaries is the way to conflict. That is exactly why we have always expressed our stance unequivocally—Crimea is part of Ukraine! And the fact that opponents from the Russia faction relegate me to the ranks of the Ukrainian nationalists... Well, everything depends on the level of understanding of this phenomenon of nationalism. I am proud of the fact that I consider myself a Crimean-Tatar nationalist, and I know the Ukrainian and Turkish

languages. And I love to speak them when I get the chance. That unfortunately does not come very often, since my opponents, alas, understand only one language—Russian.

Property Seen as Root of Crimea Conflict

944K2398A Kiev UKRAYINA MOLODA in Ukrainian
16 Sep 94 p 3

[Article by Oleh Olenyuk: "The Teeth of Crimean Privatizers Have Cut Through, and They Can Gnaw at the Branches of Power With Those Teeth"]

[FBIS Translated Text] The roots of the conflict between the two branches of power on the Crimean Peninsula began to appear long before the widely known capers of Yuriy Meshkov. As early as last fall, when a new presidential election was in the Crimean wind, the first wave of criminal-political murders swept through the only autonomous entity in Ukraine. This wave also influenced the outcome of the presidential campaign. At the time, Yakiv Apter, the well-known Crimean entrepreneur and the most probable competitor to the Meshkov clan and to Bagrov's nomenklatura men, became the most significant victim. Apter's figure was inconvenient for the strongest groups with a mafia coloring for quite a number of reasons. On the one hand, Apter's merchants, with their large network of connections in the Jewish community, had already begun "breathing down the necks" of Bagrov's council-and-director nomenklatura, which at the time aspired to grab the largest possible slice of what was then state property. On the other hand, Apter got in the way of Meshkov's men because he had become a formidable competitor to Moscow's capital. The smooth elimination of Yakiv Apter transformed the forthcoming presidential campaign in Crimea into a contest between the capital of the Crimean nomenklatura and the Moscow wheeler-dealers. The monetary argument of the latter turned out to be stronger, and for this reason Meshkov's victory merely became a logical result of prior investments in the Crimean political campaign.

The new array of forces and capital following the victory of Yuriy Meshkov in the presidential election forced Bagrov's nomenklatura to shift its emphasis and to bet on the campaigns of deputies. In the process, the victory of individuals from Meshkov's Russia bloc did not yet amount to the victory of the money of the Moscow clan. After all, the parliament is different from the president's team, in that it is reminiscent of a public joint-stock company rather than a private office, as is the case with the team. This is why, as the new representative organ was being formed, bets were already being made against future dividends, which, depending on the circumstances, could be greater for either side.

In this situation (I mean the parliament as a public joint-stock company and its influence on the privatization processes), a new "monied" force, lacking, however, influence on the parliament and the president—the party

of Christian-Liberal entrepreneurs, headed by Bashmakov, Tokach, and Podanev—appeared in the political arena.... The new political entity almost did not take part in carving up the political pie but carried a lot of weight in a similar process with regard to property. Besides, the influence of the Christian-Liberals on the criminal underworld of Crimea and to a considerable degree their control over it, as well as the undisguised desire to bar the access of foreign capital to the peninsula, were things which primarily worked against Meshkov's Moscow team, and also the forces that stood behind the "Meshkovists." As a result, between March and August, hired killers "rubbed out" all the leaders of the Christian-Liberals—Bashmakov, Tokach, Rulev, Podanev, and Korchelava, and the party itself ceased to exist. In this situation, it also appears strange that, having quickly established the nature of the murders in question (contract hits), the law enforcement organs of Crimea have still been unable to even hint at the customer. However, Shevyev, the chairman of the Party of Economic Revival of the Crimea, dropped such a hint, having named "certain representatives of the Crimean Government" as the customers.

The elimination of virtually all competitors of the Russia bloc from the financial and political arena gave the Meshkovists almost unlimited freedom to privatize the remnants of state property; besides, the president of Crimea managed to personally subordinate to himself the State Property Fund. Under the circumstances, the Crimean parliament, in which nomenklatura and ex-Communist capital also "circulated" in addition to Moscow capital, remained the only force that could get in the way of Meshkov's team. Finally, nomenklatura and ex-Communist capital attempted going on the attack on 7 September by restricting Meshkov's predominance through legislation. By now we know well how all of this ended.

The probable development of events appears much more interesting. A division of the spheres of influence between the parliamentary "shareholders" and Meshkov's Moscow team would appear to be the optimal scenario. However, a problem emerges in this instance: Following Meshkov's capers, the appetites of the nomenklatura have been whetted to such a degree that at present they would not be averse to "breathing down the neck" of the Moscow "devourers" of the peninsula while leaving Mr. Yuriy himself in his chambers in the process. Another problem is whether Meshkov and "those who made him" [the words in quotation marks are given in Russian in the original] will agree to this. The answer will most likely be an unambiguous "no", but at the same time it will not negate the compromise scenario.

Yet another scenario involves mounting tensions and incentives for official Kiev to impose a military state of emergency on the peninsula. In this case, the "fingers" of both Crimean "predators" will be "caught in the door." However, the appearance of Russian Cossacks on the peninsula and the flaring up of an armed conflict may

result from such a turn of events. It is not hard to see who will end up the winner (actual rather than nominal) in this case. The most logical scenario in this case would involve the introduction of Russian "peacemakers" and the reinforcement of influence of the northern neighbor, which is strong to begin with. Just one thing may result from the Russian "pacification" of Crimea—the appearance of yet another "well-heeled" clan from Moscow on the peninsula and the complete displacement of Ukrainian capital, and the Crimean capital proper together with it.

This scenario, whose concept has been promoted almost openly by Russian special services for a long time now, would completely satisfy official Moscow. The transformation of the peninsula into a de-facto Russian territory with its de jure Ukrainian status is much more advantageous because it preserves the image of Russia as a democratic, peace-loving state. For official Moscow, the only problem remains that under any circumstances Kuchma is supposed to be wise enough in order to not replicate Snegur's and Shevardnadze's mistakes and not turn the conflict from criminal to political, to say nothing of interethnic.

ECONOMIC AFFAIRS

Shpek on 1995 Economic Priorities

944K2409A Kiev PRAVDA UKRAINY in Russian
23 Sep 94 p 2

[Interview with R.V. Shpek, minister of economy of Ukraine, by A. Sokol; place and date not given: "Actions Are Planned, Levers are Economic"]

[FBIS Translated Text] Roman Vasilyevich Shpek comes from the old Cabinet. He is 40 years old and a native of the Carpathian Region. An economist by profession, he graduated from the Lvov Technical Forestry Institute. In 1991 he studied at the International Institute of Administration and Management and also worked in the United States. He has been in Kiev since 1989. He served as deputy minister of forestry and minister of destatization of property and demonopolization of production. After Leonid Kuchma came to head the cabinet he was offered the post of first deputy minister of economy. He has been with that office since 1992, for exactly one year.

[Sokol] Roman Vasilyevich, it has already been reported that the government has adopted the concept of socio-economic development for 1995. Does it envisage any substantive changes in that sphere?

[Shpek] When that concept was being studied at a session of the Cabinet of Ministers it was declared that the main topic will be a plan and that it is one of the tools, virtually the most important one, for the realization of the overall strategy of economic development.

When the word "plan" is heard many become afraid that there will be a return to the ways of the past, to the administrative-command system. That is not so!

It is proposed, for instance, that under the situation that has formed at present, the enterprise, region, and the state as a whole create their own economic policies on the basis of possible sales on the domestic and foreign markets. Requests such as: "We really need this, please finance it!" should no longer be heard. Everyone must live in accordance with his possibilities. Whoever works better has more.

[Sokol] What will especially distinguish the year? What changes and accents are planned?

[Shpek] The year 1995 is being viewed as marking the start of assimilation of the process of economic management at the macrolevel, with no intervention in financial forms—with concurrent stimulation of a competitive environment, continuation of corporatization of production and its privatization. That, first of all. Second, all measures being carried out in the economy will be regarded in the context of social protection of those who need it. Unfortunately we cannot speak of common welfare. That is possible only with growth of production, after the economy recuperates.

The basis of action will consist of economic forecasting and use of the financial possibilities of the state as well as the merger of market self-regulation with state regulation for the purpose of having a more goal-oriented development of market transformations.

The state of our economy, and particularly that of the budget, does not allow the resolution of all outstanding tasks at once. Therefore it is suggested that financial resources of the government be concentrated and utilized in priority areas. These include the following. The first one is the agricultural branch, and principally prevention of losses of finished products. The second is the fuel and energy complex, all that is connected with better processing of oil and limitation of the energy intensity of production along with energy conservation. The third is the structural reorganization of industry. The fourth is the accelerated development of medical and microbiological industry. The fifth is the achievement of an increase in the output of consumer goods.

Today it is highly important for manufactured goods to sell. It is necessary to manufacture what will sell. Products remain unsold at a number of enterprises not only because of a lack of demand but also because the management does not show timely concern for their sale. Many managers, at both plant and ministerial levels, cannot get accustomed to the fact that it is necessary to search for buyers.

[Sokol] You spoke about the fact that instead of administrative levers, economic ones are being proposed. An entire complex of them. What is being emphasized?

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[Shpek] First of all price policy. The circle of questions here is large and I shall dwell on just a few of them.

The state will regulate prices for certain resources (for example, for domestic coal) and types of production through which the value of products in other branches is formed. But it is planned to realize this not by dictate but primarily with control over the level of expenditures on production. After all, what happened in our case? Since the disappearance of the Soviet Union and its instructions, and the Supreme Council of the previous convocation decreed that the enterprise owns the production, each one charged what it wanted. Prices were being set horizontally and there were no documents establishing standards. Prices were raised without substantiation.

In October of last year the government introduced a regulation stipulating the calculation of production cost of products. It is imperfect and it is not heeded by everyone but it is, as they say, a bench mark and it is possible to advance from there. We will have gatherings of representatives of the ministries, as well as scientists, and manufacturers—it is necessary to throw out all that is far-fetched, unnecessary, and strive for a lowering of production costs. There is no other way. An affordable and especially a low price does more than expand our buying capabilities. This is another one of the measures to raise competitive quality of our products on foreign markets. So far there is no need to set our hopes on high quality.

This is how important the problem of prices is. By the way, we touched on just one of them, and there are many others.

[Sokol] Prices probably have a direct bearing on inflation.

[Shpek] Of course. Our economy has unfortunately already been affected by hyperinflation. One of the main tasks is to eliminate the factors causing it.

[Sokol] Could you name them, just the principal ones?

[Shpek] First of all, the budget deficit and the lack of balance between revenues and expenditures. Thus far we have only been talking about the fact that it is necessary to spend only as much money as we earn.

Secondly, the tax policy. The fact that it is imperfect and is a burden on the manufacturer has been discussed again and again. It is time to do something. We strove to tax those who worked by the sweat of their brow. New structures being launched did not bear the same share as those already in operation. The fact that they need to develop and need help is understandable. But special conditions are granted specifically for the purpose of increasing the volume of production.

Then there are credits. They are extremely expensive. Despite that, the rate of their increase in cost today continues to exceed the growth rate of the consumer

price index. An entire set of decisions is being readied on that topic. The rates will be reviewed.

It is also impossible to avoid mentioning wages. They are constantly being raised while the rate of production steadily declines. Quite understandably the quality of life is not improving but, on the contrary, deteriorating. A wage has to be earned. Otherwise nothing good will be accomplished. That must be understood by all.

[Sokol] Where will privatization fit in the plan that is being worked out?

[Shpek] Concrete indices are envisaged for the private sector. Rough ones, since it is understandable that the government finally would like to know what it can expect in that direction.

Privatization is the most important factor in the changing economy. I am a sincere supporter of it. But it is not an end in itself. Privatizing everything just so that it will be privatized is unwise. It is necessary for that process to give production an owner who knows how to value a kopek, will ensure high labor productivity, will yield more better-quality products, and can win foreign markets.

The government is obliged to support privatized enterprises, primarily with credits, for which purpose quite understandably appropriate funds are needed, which do not exist. Enterprises shifting into the private sector should flourish and not go bankrupt. People must be prepared for life in a market economy. By the way, we have already lost time in that regard. At the same time this is an important area. It is necessary not only to find how to do everything but also to acquire a feeling of personal responsibility for one's actions. Business punishes mistakes severely.

[Sokol] What does the plan for 1995 hold for us, for the people? What will social protection be like?

[Shpek] I have already mentioned that in passing. Any economic step will be perceived from the viewpoint of how much it improves our lives. The state will protect the elderly, children, students, and invalids—those who cannot protect themselves. Others must take care of themselves and it is the government's task to create the appropriate conditions for that.

As commonly known, production volumes have decreased at numerous enterprises, production capacities are underused, while the size of the work force remains the same as before. I understand that it is important to think about the people. But what is being practiced is not the proper method. When required, it is essential to make reductions in staff. In order for those remaining to be remunerated fairly and in order to prepare new jobs for those who are being dismissed. After all, there is the employment fund, the small business fund, and the entrepreneurship support fund. It is necessary to act. The government is obliged to protect

those who are dismissed. The best protection is to give everyone the opportunity to work and earn a good wage.

The way to prosperity lies through production, through an increase in its efficiency. This is something that is not immediately attainable.

Faction Leader Favors Taxation System Reform

944K2397A Kiev HOLOS UKRAYINY in Ukrainian
20 Sep 94 p 3

[Interview with Serhiy Teryokhin, executive director of the Ukrainian Fund for Supporting Market Reforms, by Serhiy Vlad, under the rubric "In the Factions and Groups of the Supreme Council"; place and date not given: "Equal Rights Begin With Equal Taxation"]

[FBIS Translated Text] The Reform deputy group has prepared for consideration by the parliament a draft law that concerns the taxation system in Ukraine. Serhiy Teryokhin, executive director of the Ukrainian Fund for Supporting Market Reforms, is one of the coauthors of the draft law.

[Vlad] Serhiy Anatoliyovych, the draft laws of the Reform deputy group, to whose development you have directly contributed, are being circulated in the parliament. Let us talk about the ones which concern the tax system, even more so because last week the Presidium of the Cabinet of Ministers approved the submission to the parliament of a proposition to lay taxes on the profits of economic entities at the rate of 30 percent, which is what you actually insisted on....

[Teryokhin] The introduction of a new rate, and even a change in the form of taxation (it was proposed to tax the profit rather than the proceeds of enterprises and organizations) do not amount to much unless the entire tax system is reformed. In essence, it nixes the effort of the budget to appear solvent in the eyes of the public. Moreover, I maintain that dislocations in our economy are attributable to a considerable degree to the shortcomings in our fiscal policy, which affects the money (monetary) policy of the state detrimentally. In many countries, tax policy fundamentals amount to constitutional norms. This is why, in a way, the Reform deputy group is submitting for consideration by the parliament a small budget constitution, whose principles are to be inviolable. Only in this manner are we capable of proceeding from straightforward extortion to structural changes in the economy. I understand that embarking on this entails risks at present, given the considerable inflationary expectations. However, to my mind, it is quite possible to maintain the status quo for one fiscal year.

[Vlad] What are these principles?

[Teryokhin] It is the equality of all before the law on the tax system. The state should tax economic entities equally, regardless of the form of ownership or financial standing. For example, let us look at the profit tax approved by the Presidium of the Cabinet of Ministers.

We propose to exempt funds allocated for the development of production from taxation, thus stimulating the capitalization of profits and investment. Wages should certainly be included in the structure of producer cost. However, in the process we proceed from preferences (privileges) which are granted to both legal entities and individuals who pay the profit tax. The budget has convinced everyone that it is an inept builder. However, is it really disadvantageous for the state that a person builds a private house? We propose to exempt outlays on the construction of this building when the profit tax is levied. Here is another example. Despite the rapid growth of the number of lyceums and private schools, children study there whose parents have, shall we say, above-average incomes. Meanwhile, statistical organs will indicate to you, with a precision to the coupon, how much the budget spends annually per student. Actually, what stands in the way of distributing this money to the people? To this end, we propose to put in circulation something similar to student vouchers, whose value likewise will not be taxed as part of the income of parents. Such a system of using budget preferences would also be appropriate in the sale of medical preparations, which will "flee" unceasingly from state-owned pharmacies to the places where their cost is higher. Our proposals reduce rather than increase the expenditure side of the budget. This is the first point. These proposals quickly reveal the degree of effectiveness, for example, of the forms of instruction. As it were, the draft law does not cancel free education. This is the second point. Most importantly, our proposals give the citizens a considerably greater choice and additional sources to replenish family budgets.

[Vlad] Equality before the law existed before, too. Nonetheless, governments add to one line of strict rules three lines of exceptions from these rules.

[Teryokhin] Much to our regret. Here is a pun for you: The aforementioned tax on the profits of enterprises and organizations, which they propose to introduce effective 1 January of next year, is not an exception to the rule which you have just set forth, because they propose to exempt agrarians from the payment of the profit tax. They say that agriculture is a priority sector, which the state subsidizes. In view of that, it would be fitting to ask the minister of agriculture and foodstuffs whether the funds which the kolkhozes in his electoral district received for selling barley to the state sufficed for a long time. The government is doing a disservice to its producers of goods by holding down grain prices the way it does now. As it is, the producers will not get out of debt until they themselves set prices for their own products, including when they trade with the state. In general, the argument concerning the liberalization of prices in agriculture is identical to an argument about who is more patriotic: the government or the kolkhoz chairman and the plowman. This may be why this argument is taking so long instead of introducing the extension of credit for agricultural products through futures, the conversion of

processing industry to joint-stock operations, the provision of insurance for the new crop by commercial insurance companies, etc.

Incidentally, the draft law on the taxation system in Ukraine which has been prepared by the Reform group provides for the following principles with regard to state preferences: Relief should be granted on a sector-specific rather than entity-specific basis. If you wish to reduce the value-added tax to between 3 and 5 percent, as is the case in other countries, then apply this to the sector rather than to specific producers, on a functional basis, regardless of the form of ownership. You will also neutralize the suspicion that you commit abuses and are corrupt.

With a view to eliminating all misunderstandings, the draft law is based on directly applicable provisions and on administrative simplicity. The easier the taxation system is to understand for those who pay taxes and the more convenient for those who collect taxes and perform control functions, the more effective it is. Meanwhile, at present an army of tax inspectors needs to be maintained in order to track all balance sheets just to establish whether the value-added tax has been levied correctly. The control staff has long been suggesting the thought that the end does not justify the means: We should be collecting taxes to meet general state needs rather than to maintain tax overseers.

In a word, in developing a draft law on the taxation system, we wanted to change the mentality of the current system. This mentality is in plain view: It is the fiscal concern (to collect as much tax as possible for the revenue side of the budget) and the vision of producers of goods rather than consumers as taxpayers. If the fiscal concern is a tactical mistake, collecting taxes on supply rather than on consumption is a conceptual miscalculation.

[Vlad] You have mentioned the value-added tax. It is interesting what it means today, to your mind.

[Teryokhin] The same thing it did yesterday and the day before yesterday—the turnover tax. We intend to restore its true name and function.

[Vlad] Your draft bill envisions a progressive scale of taxes on citizens, does it not? How is it different from the current scale?

[Teryokhin] The highest rate of taxation, 40 percent, applies to the incomes of citizens exceeding 200 times the minimum wage. As far as I am concerned, the state simply has a duty to tell its citizens, "Get rich." It is painful to see our people, who have been driven to the brink of survival by inflation and the powerlessness of the authorities to overcome its ruinous consequences, while nearby, in Central Europe and by now in the nearby foreign countries, the average wage of citizens has long exceeded \$100 a month. It has been understood there that containing prices and wages through taxes and tariffs is a thankless pursuit, because production becomes uncompetitive, and this brings about the loss of

markets for sales. This means unemployment, falling production, and a drop in the living standard of the people. We are at a halfway point toward understanding this. This is why another draft law, which will provide for the Cabinet of Ministers to specify the structure of the producer costs of output, will compete with ours. I am not sure that wages will be included in producer cost as a component of outlays that is of the same order as other components. It may happen that the draft Law on the Budget of Ukraine rather than the Law on the Tax System will end up being considered by the parliament to begin with. In this case, we will have what we have.

Property Fund Head on Privatization Goals

944K2370A Kiev MOLOD UKRAYINY in Ukrainian
15 Sep 94 p 1

[Article by Volodymyr Oliynyk: "What Will We Choose? Will Parliament Support Privatization as Outlined by Yekhanurov, Who Knows What He Wants..."]

[FBIS Translated Text] President Leonid Kuchma of Ukraine appointed new people to almost all the key administrative posts in the Cabinet of Ministers. The State Property Fund was no exception. The fund's head, Volodymyr Pryadko, was replaced by Yuriy Yekhanurov, the former deputy minister of the economy. In his first appearance before the press, Yuriy Yekhanurov did not hide the fact that the problem of privatization in Ukraine is not so much a problem of the equitable distribution of property as a sociopolitical problem. Moreover, just privatization, Ukraine's statehood, and the centralization of privatization processes are all under one roof.

We offer you an outline of the intentions of the newly appointed head of the State Property Fund, whom, it should be remembered, the Ukrainian parliament must still confirm, just as it has to confirm Ukraine's minister of foreign affairs and minister of defense.

And so, Yuriy Yekhanurov proposes:

The newly appointed head of the State Property Fund of Ukraine said that the principal slogan borne on the banners of his office, if one can call them that, will be effective privatization and not privatization for the sake of privatization. In other words, if an enterprise is privatized, it cannot stand idle waiting for better times but must immediately start working effectively. In connection with this, Yuriy Yekhanurov stated that the leasing of enterprises with the subsequent buy-out by their labor collectives is no longer a valid option. More than that, it is harmful. For that reason, the State Property Fund will very shortly submit amendments to the Law on Leasing to the Supreme Council in order to put an end to what is in effect the pilfering of state property by individual labor collectives and to ensure the effectiveness of privatization.

The newly appointed head of the State Property Fund devoted particular attention to the centralization of

privatization processes. As everyone knows, we continue to have both a Communal Property Fund and a State Property Fund. The edict on combining these two structures issued by Leonid Kravchuk is still not being carried out. Here is Yuriy Yekhanurov's response to my question regarding this matter:

"I believe that the State Property Fund and the local authorities virtually aborted the execution of this edict. Unfortunately, there are no unified privatization organs in Ukraine at this time. However, decisions are now ready in seven oblasts of Ukraine to create such unified privatization organs. The leadership of the Fund has worked intensively with all the oblast council chairmen. In another month or month and a half this matter will be settled 100 percent. To me this is a question of authority in Ukraine, a question of statehood, and I believe that the creation of unified privatization organs in Ukraine is a guarantee of the establishment of the Ukrainian state. That is how I posed this issue to the collegium of the State Property Fund. At the same time, we want to ensure an effective division of functions, delegating as much authority as possible to the regions with local authorities totally in charge of privatization. The center will concern itself with methodology, training personnel, and supervision. By the way, we are creating a Control and Auditing Administration of the State Property Fund."

It turns out that thus far no one in Ukraine has been monitoring how privatization is being carried out. As a result, journalists, who, one would think, know everything and then some, repeatedly questioned Yekhanurov as to whether it was indeed true that there had been no such structure and, if so, was it fair to reproach the parliament for partly halting privatization in an attempt to find out what is going on, even if it did so for populist reasons. Because the phenomenon of there being no control over privatization as in Ukraine has no precedent in any other country in the world where privatization has been or is being conducted.

What will the State Privatization Fund be like under its new director and what will be its goals? Here is how Yuriy Yekhanurov sees it:

"This will be an open organization that will engage in discussion and storm the barricades. I would like everyone to understand that there exists a State Privatization Program. I am therefore preparing myself for unjust criticism over the drafting of a new program. Because the existing program provides for the privatization of 31,000 facilities, and some 4,000 have already been privatized. If, let us say, the new program anticipates privatizing only 15,000 facilities, I am afraid there will be an uproar that privatization in Ukraine is being brought to a halt. My dear colleagues, we must not become mesmerized by deceptive numbers; we are highly skilled at writing them! We have to look at the realities."

Yuriy Yekhanurov also promised to rigorously investigate any failure to perform privatization tasks, without regard for position and the opposition of many branch ministries.

Well, we shall see what we shall see. The one thing we would like to see immediately is Yekhanurov confirmed as head of the State Property Fund by parliament and given the opportunity to work, because, as the journalists concluded unanimously, Yekhanurov knows what he wants.

Report on Currency Exchange Market Activity

954K0022A Donetsk DONBASS in Russian 4 Oct 94 p 1

[Article by Maksim Ovechkin, material provided by the regional weekly publication FINANSY BIZNES REKLAMA specially for DONBASS: "News of the Currency Market"]

[FBIS Translated Text] The decline of the Ukrainian karbovanets was halted last week. Whereas the previous week, the exchange rate of the U.S. dollar increased by 3,500 karbovantsy per day, on the average, constituting a rise of 18,050 karbovantsy for the week, purchase price of the dollar from 22 through 29 September increased by just 900 karbovantsy, while the sell price actually dropped 1,700 karbovantsy. The German mark also increased in value by just 500 karbovantsy, on average. Sell price of the Russian ruble dropped 0.85 karbovantsy, but its purchase price increased all the same by 0.30 karbovantsy. This has elicited some amazement, since the ruble with respect to the dollar in recent times has been falling at a more rapid rate than the karbovanets (the Russian ruble exchange rate for 28 September dropped 150 points).

Now for the average hard-currency exchange rate as of 29 September in Donetsk. Purchase price of the U.S. dollar was 68,600 karbovantsy, of the FRG mark—40,600 karbovantsy, and Russian ruble—26 karbovantsy. Sell price of the dollar was 71,000 karbovantsy, of the mark—44,900 karbovantsy, and of the ruble—26.7 karbovantsy.

On 29 September the maximum exchange rate for all hard-currency purchases was fixed only in the Prominvestbank: dollar—70,000 karbovantsy, mark—43,900 karbovantsy, ruble—27 karbovantsy. The minimum exchange rate for sales of the U.S. dollar (dollar—69,700 karbovantsy, Russian ruble—26.1 karbovantsy) was fixed in the firm AB Profit, while the minimum exchange rate for sales of the FRG mark (mark—44,900 karbovantsy) was fixed in the Prominvestbank.

We would direct your attention to the fact that all data on hard-currency exchange rates provided here are as of 29 September, and the situation may have changed in one direction or the other as of the time of publication of this newspaper.

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It is curious that the official exchange rate continues to grow more rapidly than the commercial rate. As of 24 September, the official exchange rate of the U.S. dollar was 28,000 karbovantsy per dollar, having increased by 2,000 karbovantsy, and that of the FRG mark was 18,100 karbovantsy per mark, having increased by 1,280 karbovantsy. The Russian ruble increased by just 0.1 karbovanets, amounting to 11.40 karbovantsy per ruble. Thus, in accordance with the Ukrainian president's edict, the official rate is slowly but surely approaching the commercial rate.

At trading sessions for short-term reserves from 19 through 23 September, 335 billion karbovantsy were issued, 46 billion karbovantsy were sold. The average seller interest rate was 90 percent, buyer interest rate—95 percent. The average term over which credits were

afforded was 10 days—for terms established by the buyer, 9 days—for terms established by the seller.

Significant fluctuations were noted over the course of the week in the exchange rate of the dollar, which would increase by 500-600 karbovantsy, then decrease by 500 karbovantsy per day. The same situation was observed with respect to the German mark.

It is difficult to explain such a sharp jump in hard-currency exchange rates, but most experts are inclined to believe that it is nothing more than speculation in the currency market.

We expect a further decrease in the rate of decline of the Ukrainian karbovanets and possible stabilization of the exchange rate of hard currencies at some fixed level. On the whole, however, the situation continues to remain unpredictable.

ARMENIA

Ter-Petrosyan Addresses United Nations

954K0004A Yerevan RESPUBLIKA ARMENIYA
in Russian 1 Oct 94 p 1

["Speech of Levon Ter-Petrosyan, president of Armenia,
at United Nations General Assembly"]

[FBIS Translated Text] Mr. Chairman,

Mr. Secretary General,

Esteemed Ladies and Gentlemen,

I want first of all to congratulate you, Mr. Chairman, on your election as chairman of the UN 49th Session. I would like also to pay a tribute of respect to your predecessor—Ambassador Samuel Insanally—for his contributions in the work of the past General Assembly session. I would like also to express my gratitude to Mr. Butrus-Ghali, secretary general of the United Nations, for the great efforts that he is making in leading the Organization and that are geared to peace and international security.

Mr. Chairman, the disintegration of the old system and the appearance of new democratic communities in Central and East Europe and, somewhat later, in the former Soviet Union are the most serious challenge to peace. This great upheaval has been followed by numerous confrontations and complications. Some of these complications are the direct result of the rapid and unexpected changes; others have appeared for the first time, following a long period of stagnation lasting decades. In addition, the relative failure of the conversion programs, which have yet to produce the anticipated results, is explained by the disregard for the differences between the actual conditions, which have been there from the outset, in various states experiencing a transitional period.

The pace and content of economic transformations differ by country; nonetheless, the reform process will inevitably take a very long time. It is encompassing comprehensive transformations in the sphere of pricing, the principles of ownership, and economic and legal and commercial and financial structures and also the question of the creation of a system of protection, which is designed to be a guarantor for the least well-off strata of society, whose situation is deteriorating in view of the difficulties arising on the path of the reforms that are being implemented.

As in all republics of the former Soviet Union, so in Armenia also the economy too has been subjected to serious ordeals, as a consequence of the changes that have followed the difficult process of disintegration of the Soviet Union and transition to the market economy. Armenia broke down as a consequence of the disruption of the extraordinarily great interdependence with the former Union republics, the blockade of supply lines on

the part of neighboring Azerbaijan, the embargo imposed on the part of Turkey, and the devastation caused by the catastrophic earthquake of 1988. Other external factors, like, for example, the difficulties connected with the supply lines that cross the territory of Georgia, exacerbated this situation, signifying an appreciable decline in Armenia's industry. In turn, the legacy of the Soviet period led, by virtue of the absence of efficiency and inordinate horizontal integration, to an increase in the consequences of the blockade.

Despite these difficulties, the Government of Armenia embarked on the realization of important structural transformations, aiming at the creation of an integral market economy. In 1990, following the assumption of power in Armenia of the Armenian National Movement, a process of privatization began. In reality, the firm resolve to convert the country's planned economy into a market economy was based on the philosophy of the democratic movement in Armenia and was an inevitable condition of the transition to a democratic state.

And, conversely, a market economy can flourish only under the conditions of stable democracy, and it is the latter that is capable of promoting economic development. There are in Armenia today more than 30 political parties, and freedom of the press, worship, and religion have been proclaimed and laws that guarantee civil and political rights have been adopted in the republic. Free elections—parliamentary and presidential—have already been organized three times in the republic, as has a referendum on independence. A possible referendum on the adoption of a constitution and new elections for the National Assembly and the president of the republic will once again prove the establishment of democratic traditions in Armenia.

Democracy is a component of the process of economic reforms. This process may be divided into three stages, which are characteristic of almost all countries in a transitional period—the state of systemic transformations, the stage of long-term capital investments and structural transformations, and the stage of integration in international markets. But the consolidation of the priority goals and the earmarking, as a necessity, of the most urgent tasks are very important. In my opinion, Armenia is now on the threshold of completion of the first stage, which signifies the creation of the legal framework for economic reforms in which the private sector may develop its economic activity. This legal field will guarantee the realization of contracts and the protection of private property, freedom of prices, privatization, the adoption of a national currency, stabilization of the financial system and the budget, and an improvement in the balance of payments. This program is already 80 percent accomplished. Armenia was the first of the republics of the former Soviet Union to find itself in a position to privatize agricultural land and animal husbandry. The privatization of small and medium-sized and also large-scale enterprises is under way currently. In the period of disintegration of the ruble zone at the end

of 1993, Armenia survived the financial crisis. The uncontrolled influx of former Soviet rubles into Armenia and, as a consequence of this, the impossibility of the pursuit of financial policy on its own territory forced the Government of Armenia ahead of time—in November 1993—to introduce a national currency. Today the government is implementing a program whose main goal is to curb and reduce the rate of the deficit, to sharply limit the budget by controlling public expenditure, and to assist the least well-off strata of society.

Big transformations have been carried out in the banking system, which has pursued first and foremost the goal of a dismantling of the "mono-bank" system of the planned economy.

Mr. Chairman, both in Armenia and in all other democratic countries the present transitional period in the economy is historically unprecedented and will require a period of time and patience and also great assistance on the part of the international community. Neither programs of transformations envisaged for the short and medium terms nor a strategy of long-term development can be successful, of course, in the absence of the growth of the world economy and favorable external conditions.

We recognize that it is impossible to create a unified model for all countries in a transitional period or even for all post-socialist societies. To ensure the success of the efforts that the United Nations is making in the countries undergoing a transitional period, the Organization should bring its contribution into line with the resources of each country and the processes occurring in it, giving preference more to comprehensive programs than individual small-scale programs. This principle applies to the establishment of the main goals of the Program, account being taken of the priority tasks of the national government, and in the long term, the delivery of the aid intended for these purposes, with the satisfaction locally here of all the conditions for a system of control.

Mr. Chairman, Armenia believes that the Development Program drawn up by the secretary general is a necessary and important addition to the Peace Program. They contain exhaustive and serious thoughts concerning various directions of development and the role of the United Nations on this issue. Recent world forums devoted to development issues have recognized, in the main, that this Program should be defended within the framework of firm pragmatism and that practical proposals for surmounting the current disturbed balance in different spheres of development are essential. We await with interest the secretary general's comments on the Development Program, which will contain specific proposals both as regards the UN system and in respect to the development of intergovernmental consultative mechanisms and also precise recommendations concerning the coordination of the entire intra-system activity of the United Nations, on Bretton Woods and the future World Trade Organization, on whose creation

there are proposals, included. These proposals are necessary if we want the Program to lead to the cooperation on a world scale needed for development.

Mr. Chairman, Armenia intends to participate and make its contribution to the World Social Development Congress to be held in Copenhagen. This world congress coincides with the 50th anniversary of the United Nations. It will be an outstanding event, which will supplement a number of world forums of the United Nations: the 1990 world forum devoted to children, the 1992 international conference in Rio de Janeiro on problems of the environment and development, the international conference held recently in Cairo on problems of population, and the Fourth World Women's Congress, to be held in Beijing in 1995—as important stages en route to the formulation of international accord.

Mr. Chairman, development and human rights are interconnected and strengthen in parallel. Long-term development is impossible without respect for the entire spectrum of human rights. The forum devoted to human rights that was held in Vienna last year affirmed the idea that human rights are important for stability, freedom, peace, progress, and justice. The creation of the office of UN high commissioner for human rights was of importance for an optimum understanding of the inalienable principles of human rights. The UN members should continue their work on enhancing the results of the UN mechanisms that today handle human rights and assist the high commissioner in the application of his mandate.

Armenia finds that self-determination in its manifold forms is an inalienable human right. Armenia's position in the Karabakh conflict has from the very outset been precise and unequivocal. Armenia does not have territorial claims on Azerbaijan. What we have is a confrontation between the population of Nagorny Karabakh, which aspires to self-determination, and the Government of Azerbaijan, which refuses to consider this right. Armenia is rendering this population moral, diplomatic, and humanitarian assistance, and cannot agree with any military solution, which would be tantamount to genocide or would lead to the deportation of the population of Nagorny Karabakh.

Whereas the confrontation in Nagorny Karabakh has successively undergone stages of intensive fighting and relative quiet since the day when, two years ago, I spoke from this platform, today, on the contrary, a cease-fire has for the first time in the past five years been maintained for this length of time. I am pleased to report to you today that the cease-fire conditions established on 12 May 1994 with the mediation of the Russian Federation are being observed, in the main. But what is even more reassuring is the fact that, thanks to the direct and immediate contacts of the parties to the conflict, the cease-fire established on 12 May assumed de facto on 27 May 1994 and 28 August 1994 an official nature, and the parties confirmed their aspiration to observe the cease-fire mode until a political document had been signed.

Armenia welcomes the commitments of the principal parties to the conflict to observe the cease-fire and begin a direct dialogue. Armenia sees this as an important confidence-building step, a serious stage en route to a strengthening of the cease-fire mode, and evidence of an emphatic aspiration to bring to a positive conclusion the ongoing negotiations, which, in turn, would make it possible to resolve at the CSCE Minsk Conference the problem itself. It is perfectly obvious that the confrontation has switched to a new phase, which is characterized by the parties' expectations of peace.

The priority tasks for Armenia today are to strengthen the cease-fire and to establish peace. The historical situation is, in fact, favorable for an end to the confrontation. But the business of peace requires active assistance and the unity of the international community for a strengthening of the cease-fire. On the one hand, the distrust that has accumulated over the five years and, on the other, the absence of international measures to prevent a resumption of fire are kindling the atmosphere of distrust and endangering the fragile truce. There is no doubt that, following the termination of hostile operations, the establishment and observance of a durable peace will depend primarily on the main parties to the conflict and the capacity of the international community for employing the new mechanisms, adopted on an international scale, that will be formulated for this contingency. The security of the population of Nagorny Karabakh has always been the subject of Armenia's main concern. Both Armenia and Karabakh also have declared repeatedly that they are prepared to abide by the corresponding Security Council resolutions. A stable peace may be a reality only if the peacemaking process becomes irreversible and an international security force is deployed between Azerbaijan and Nagorny Karabakh until the problem of Nagorny Karabakh has been resolved by way of negotiations with its full participation in the CSCE Minsk Group.

Mr. Chairman, the proliferation of weapons of mass destruction is directly impeding the efforts of the United Nations to keep the peace. Armenia believes that the unconditional and conclusive extension of the Nuclear Nonproliferation Treaty could be the sole guarantee of the realization of the purposes of this treaty.

The fact that great progress was made in the past year in the negotiations on a treaty on a complete ban on nuclear testing is encouraging, and we express the hope that a text meriting the accord of all parties will be adopted shortly.

We are supporters of the activity of the United Nations extending to the spheres of integration, all-around disarmament, preventive diplomacy, the establishment of peace, and the observance and strengthening of peace in the aftermath of conflicts.

Mr. Chairman, the hearings of the Assembly's working group concerning equal representation on the Security Council and its enlargement were very useful. Almost all members of the United Nations support an increase in the number of members of the Security Council, considering the big changes that have occurred in the world and the increase in the total membership of the United Nations. But an enlargement of the Security Council must not affect the efficiency of its work. We would note in this connection that the Security Council has adopted a number of constructive measures with a view to achieving glasnost and strengthening ties to states that are not UN members. The Security Council could also tackle threatening situations and confrontations before they develop into military clashes.

The effective systematization of the operations of specialized UN institutions dealing with questions of economic and social progress would enable the Economic and Social Council to assist the Security Council better and give notice of the emergencies that are engendered by certain economic and social conditions. It is for this reason that Armenia fully supports programs of the reconstruction of the Economic and Social Council and the possible creation of an Economic Security Council.

Mr. Chairman, an improvement in the administrative activity of the United Nations is another priority problem. Armenia welcomes today's initiatives, which are designed to make more rational the structure, process of administrative activity, and the control of the United Nations, which will help the Organization tackle the tasks that confront it. Specifically, we supported the initiative of the United States and learned with satisfaction that the General Assembly has created an Internal Control Office.

Mr. Chairman, please permit me to once again address the matter with which I began my speech. In our time of unprecedented changes, numerous difficulties, both anticipated and unexpected, have arisen. The present period, with all its arduous obstacles but also, simultaneously, full of hopes, revives our faith in the Organization, which is for us the sole authority truly designed to unite the extraordinarily discrete interests of the different peoples of the world. General accord is possible only when contradictions are resolved peacefully and when full cooperation is established between peoples. The United Nations is strong thanks to the noble goals and principles enshrined in its charter and today, in the face of the new problems and responsibility awaiting it, can and should lead us to a better-organized and more harmonious world.

In conclusion, Mr. Chairman, I wish the General Assembly the successful performance of the arduous work awaiting it at this session.

I express to you my gratitude.

Economic Cooperation Talks With Greece

954K0001B Yerevan RESPUBLIKA ARMENIYA
in Russian 30 Sep 94 p 1

[Report by M. Ogandzhanyan: "Warm Relations and Mutually Profitable Cooperation"]

[FBIS Translated Text] On 29 September a joint press conference of deputy ministers of economics of Greece and Armenia was held in the RA [Republic of Armenia] Ministry of Foreign Affairs.

Mr. Antopulos, who is in Armenia on an official visit, noted a special warmth in the relations between the two countries and broad prospects for the development of mutually profitable cooperation in various areas. He emphasized that being a EEC member, Greece provides aid to Armenia both at the initiative of its own government and within the framework of common European programs. The purpose of the current visit is to develop bilateral cooperation in concrete economic areas. Representatives of Greek industrial, entrepreneurial, trade, and export circles, who arrived in Yerevan as part of the Greek delegation, established direct contacts with representatives of corresponding organizations in Armenia. As a result of the negotiations in the Republic of Armenia Government, agreements were signed on mutual encouragement and protection of investment, as well as on trade-economic and scientific-technical cooperation. Agreements on cooperation in the sphere of transportation and communications and on measures to avoid double taxation are being readied for signing. It is assumed that these documents will create a necessary legal base for unimpeded ties both on a government and on the private sector level.

Republic of Armenia Deputy Minister of Economics Mr. Darbinyan enumerated concrete spheres of cooperation. Greece is a major exporter of foodstuffs, as well as producer of agricultural equipment, which Armenia acutely needs. In the process of negotiations with the Greek side, an agreement was reached to open a permanent exhibition of Greek goods in Armenia. Armenian representatives have been invited to a symposium on economic and trade issues, which will take place in Greece at the end of November and beginning of December of the current year. In addition, a large group of industrialists and entrepreneurs from Armenia will visit Greece to familiarize themselves with the practice of developing market relations.

Overall, both Mr. Antopulos and Mr. Darbinyan characterized the negotiations as a success.

Minister on New Agriculture Policy

954K0001A Yerevan RESPUBLIKA ARMENIYA
in Russian 30 Sep 94 p 1

[A NOYAN-TAPAN report under the "Press Conferences" rubric: "A New Agricultural Policy Is Being Developed"]

[FBIS Translated Text] A new agricultural policy is currently being developed, in which special attention is devoted to forecasting in agriculture; tax, credit, and price policy; and the state's role and functions in this sphere of the national economy. This was reported at the press conference on 28 September by RA [Republic of Armenia] Minister of Agriculture Ashot Voskanyan. The main provisions of this program are to be discussed within the next few days with the representatives of the Agency for International Development (USAID), as well as at a republic-level conference at the end of October. A draft law "On Buying and Selling Land" is ready.

On the subject of international cooperation, the minister said that in the middle of October an agreement is expected to be signed with the World Bank on allocating \$65 million in credits before the end of 1994 for the Restoration of Irrigation in Armenia program. The envisaged time frame for the program is four years.

Work is currently being conducted together with international organizations' specialists on developing 11 programs in the area of agriculture.

Speaking of the current situation in this area, the minister noted that as compared to last year, the yield of grain crops declined and amounted in 1994 to 250,000 tonnes. Potato production increased considerably as compared to last year—to 400,000 tonnes, which makes it possible to export it. The indicators of fruit and vegetable production remained unchanged.

A. Voskanyan also reported that currently the Republic of Armenia has only a few state agricultural enterprises. Having appraised the results of agricultural reforms as positive overall, the minister noted that certain difficulties are being encountered in the course of this process.

Narcotics Related Crimes Increase Sharply

95WD0003A Moscow NEZAVISIMAYA GAZETA
in Russian 28 Sep 94 p 3

[FBIS Translated Text] Sharp growth of drug addiction and the drug trade is observed in the Republic. This is what was reported by Samvel Manukyan, chief of the division for oversight of investigations in MVD [Ministry of Internal Affairs] and procuracy agencies. In comparison with 1990 the number of crimes registered along the lines of drug addiction and the drug trade grew by 3 times in 1991, 6 times in 1992 and 15 times in 1993. In the first half of 1994 this number has already increased by more than 10 times in comparison with all of 1993. On the other hand while according to data for the first half of this year the total number of recorded crimes decreased by 32 percent in comparison with last year, the number of crimes associated with drug addiction and the drug trade grew by 65.8 percent.

According to MVD data there are now 636 registered drug addicts in Armenia. That juveniles (14-15 years of age) have started using drugs raises concern. Drugs are

making their way unhindered into corrective labor institutions in large quantities, and are being used there. In the first half of this year four associates of these institutions were subjected to criminal punishment and two are under investigation in connection with transportation of drugs into places of confinement. Grigor Nalbandyan, chairman of the public benevolent organization "No to Alcoholism and Drug Addiction," reported that according to sociological research conducted in places of confinement 57 percent of drug addicts serving time first used drugs in prison.

It should be noted that drug addicts are being subjected to compulsory treatment in the Republic, the results of which are unsatisfactory. At the initiative of the "No to Alcoholism and Drug Addiction" organization a clinic with a capacity of 25 patients will be opening soon. Treatment will be solely voluntary, employing new treatment methods.

AZERBAIJAN

Aliyev on Oil Contract, Economy

944K2455A Baku BAKINSKIY RABOCHIY in Russian
30 Sep 94 pp 1-2

[Reprint of interview with Geydar Aliyev by Antonina Galayeva, special correspondent of DELOVOY MIR; place and date not given: "If We Can Put an End to the War, Azerbaijan Will Arrive at the Year 2000 With a Totally Different Identity"]

[FBIS Translated Text] Baku-Moscow—The capital of the state standing at the intersection of Europe and Asia—Baku—is a special place. I am speaking not so much about the coloring of the city and the charms of its architecture as about the spiritual fullness and that interethnic tolerance, a certain kinship, even, of people of different religious beliefs and cultures that have always delighted all who touched its historic stones. Eighteen-year-old students would entreat with one voice at our evening discussions, when the city, weary from the cares of the day, little by little came to a standstill: "Let all Russians return from Russia, all Jews from Israel, all Armenians from Armenia, Ukrainians, Tatars, Balts, and let the city once again be what it was in 1970's. And let us all, as before, call ourselves Baku-ites." This is not their knowledge and experience, of course—it is the older generation of townspeople sadly recalling their "Paris of the East" that have now inculcated nostalgia in those who are still children. The protracted war has scattered the people of Baku around the world and torn people from their native parts and turned them into wandering souls and refugees, and it has reduced those remaining in this most abundant and promising republic to the level of destitution, almost. Not all, of course, but the vast majority.

Whomever I encountered on my local assignments, there was on everyone's lips just one topic of conversation: the oil contract. Many Azerbaijanis are linking with this

major document their life's plans and hopes for new jobs, prosperity, and the recovery of the country's economy. But time is passing, and it has simply not for some reason or other been signed. Why?

I attempted to gain an audience with the president of Azerbaijan. Finally, after much waiting, I made it onto the government airliner on which he set off for Moscow on 8 September for a meeting with the president of Armenia. On board the aircraft, Geydar Aliyev, president of the Azerbaijan Republic, granted me an interview.

The background to the issue is as follows:

Negotiations have been under way for almost three years now between the State Oil Company of the Azerbaijan Republic and Western oil companies on the development of promising deposits of the Caspian shelf. Having come to head the parliament in June of last year, Geydar Aliyev immediately inquired as to how the contract was being prepared and discovered in it a multitude of flaws threatening to seriously infringe Azerbaijan's national interests. And he suspended the negotiations—once and then again. "Oil is our people's main resource, and we must dispose of it carefully, solicitously, and jealously," G. Aliyev said at a meeting with representatives of the consortium of foreign oil companies held this July. By this time, Azerbaijani specialists, together with foreign experts and legal advisers, have presented a new concept of the oil contract. Contentious legal, commercial, and technological details of the draft contract have been settled, a program proposed by the Azerbaijan Oil Company has been adopted, the extent of oil production and the mechanisms of the repayment of capital investments and profit distribution have been coordinated, and the time frame of the construction of a major export oil pipeline has been forecast. In a word, the bulk of the work on the draft contract has been practically completed. It remains to harmonize merely certain details....

[Galayeva] I came to Baku at the invitation of Ilkham Aliyev, vice president of the State Oil Company of Azerbaijan, for the signing of the contract, which was contemplated for the latter half of August. But it is being delayed. With what is the delay connected, Geydar Aliyevich?

[Aliyev] A very important contract is being prepared. Azerbaijan is concluding such a contract for the first time. I, as a person who has a pretty good knowledge of the economy of Azerbaijan and its industrial potential, oil and gas industry particularly, could not have been indifferent to how this preparation is going. I decided to suspend the negotiations, analyze their progress, determine my position, and offer our concept of the contract. And some time later the Azerbaijan Oil Company presented me with it. It was examined not only by myself but also by all authorities, and we were of the general opinion that we could with this concept agree to negotiations.

The consortium of Western companies proposed that they commence in Baku and then continue in Istanbul.

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One round was conducted in Azerbaijan, three rounds, in Turkey. The last one had, essentially, an auspicious conclusion. We negotiated on all matters of principle that might have been in the interests of both the Western oil companies and the Azerbaijan Republic. The participants in the negotiations asked that I receive them together—the leadership of the Azerbaijan Oil Company and representatives of the consortium. The vice presidents of BP (British Petroleum—A.G.) and Amoco were present at this meeting. Both reported that they had reached a common denominator and that the time had come for the practical compilation of the text of the contract. And they believed that this was best done in Houston because the conditions there, technical and all the rest, were more favorable than in Baku. I agreed, and they set off on 20 July. It was contemplated that they would work for 20-25 days on the text of the contract and reach final agreement, after which we would determine the date of the signing of the contract.

But something unexpected happened. First, various opinions concerning this contract and every conceivable provocative publication appeared at this time in various organs of the press, of the Moscow and Western press included. They were not, of course, close to actual reality and disinformed the public to some extent. The negotiations in Houston had begun and were proceeding successfully. But the Western oil companies began to reconsider certain points and propositions that had already been agreed in Istanbul. I received their representatives after Istanbul, and they themselves even expressed the desire, and I agreed, that a protocol be signed in Baku to the effect that all matters of principle in respect to the contract had been settled and that it was possible on this basis to embark on the preparation of its text for signing.

But in Houston, it is hard to say for what reason, they began to revise the contract and to submit new proposals on some of its very important provisions and points, which infringed the economic and, consequently, national interests of Azerbaijan, but afforded the other side a great advantage. This is why the negotiations have dragged on. But a great deal of work has been done, and the text of the contract, as I was informed literally two days ago, is, in the main, ready, but there are positions on which accord has not been reached. The contract will not, therefore, be signed in August or September, as we had thought. So our delegation must return to Baku, and we must consider the issues in dispute and determine our attitude toward them, and then, evidently, there will be a new meeting. True, the Western oil companies were very insistent that the contract be signed at least by 10-15 September. And we wanted the same thing. And then I met with the leadership of the United States of America—Madame Albright, the official representative of Mr. Bill Clinton, president of the United States of America, visited Baku and said: "We very much want the contract to be signed as soon as possible." And she cited the same date: 10-15 September. Two days ago I met in Cairo with Mr. Albert Gore, vice president of the United States. He also said that they were interested in its signing. I

declared in both instances that we were no less interested in this than they were, because our economic situation demands that we embark on something that has good prospects as soon as possible. But the contract must be mutually profitable. For both the Western oil companies and for Azerbaijan. We cannot allow a one-sided advantage, either for ourselves or for them. This is why things have dragged on. Our delegation will be in Baku within the next few days, and we will examine the matters in dispute and determine our position.

[Galayeva] And how, in your opinion, Geydar Aliyevich, should the question of the status of the Caspian, which is being whipped up by the news media, Russian included, be decided?

[Aliyev] This issue has not, essentially, been raised by the Russian side. There was a brief note of the Ministry of Foreign Affairs of Russia to the Embassy of the United Kingdom on the fact that an agreement had been concluded between Azerbaijan and Great Britain on the joint exploitation of the oil fields of the Azerbaijan sector of the Caspian. Truly, Prime Minister Major and I did sign such an agreement during my official visit to London this February. But no more than that. It was hinted, seemingly, that it is essential for this to determine the status of the Caspian. The British Foreign Ministry responded to this note accordingly. After this, I met with British Foreign Secretary Douglas Hurd. He told me what their response had been and that this note was of no significance.

Russia has not once raised any questions with us. Moreover, the LUKoil major Russian oil company is participating in the consortium on our side. It has a 10 percent share of the contract. That is, Russia is not uninvolved here. It also has an interest. This is the first point. Second, the status of the Caspian could be determined in 10 or 20 years' time. This is a matter that has to be discussed repeatedly and that is equally the prerogative of Russia and Kazakhstan and Turkmenistan and Iran and Azerbaijan. There is one important point: Azerbaijani oil workers have been prospecting, producing, and developing the oil and gas deposits in the Caspian for 45 years. They have performed this work in all the waters of the Caspian. And mainly in the waters that are part of the Azerbaijan sector. When the Soviet Union disintegrated and the republics become independent, we drew a line in the middle of the Caspian. The Azerbaijan Oil Company was involved in the development and production of oil off the coast of Turkmenia [Turkmenistan] also, but we have now left. Turkmen oil workers are operating there. That is, we have no matters on which we are in dispute here. Iran is beginning the exploration of the oil fields in the South Caspian. Independently, without having asked anyone. It has concluded a contract with the Azerbaijan Oil Company, incidentally, and our oil workers are sinking a well there. Both Russia and Kazakhstan could do the same in their sectors. No one is in anyone's way here. The sectors issue has been artificially created by some forces to hamper our business in

this case, the conclusion of the contract, in particular. But no one, I believe, has any grounds for this. Especially since, I repeat, this matter has not been raised with Azerbaijan on the part of Russia once.

[Galayeva] Ours is a business newspaper, to which its name testifies, and I would like to avoid politics. But speaking about a country in which the problems of Karabakh have yet to be settled, they cannot, obviously, be overlooked. It would seem that God has granted you the mission of ending this totally needless war. Judging by how eager you are for this. When so long-awaited an event occurs, and soon, everyone greatly hopes, you, being by nature a creator, will tackle in earnest the restoration of the economy. Which economic model do you prefer? Will you take the path that Russia is taking with its privatization and denationalization, or will you opt for some other path?

[Aliyev] I will answer the first part of your question first. Since the time that I became head of Azerbaijan—this was approximately a year ago—I have truly been endeavoring to put an end to the war. It has been going on for six years. That this war was not unleashed by the Azerbaijani side is well known. Azerbaijan has been drawn into it and is incurring big losses, 20 percent of its territory has been occupied, and more than 1 million of its inhabitants have become refugees. People are suffering, not to mention those who have already died and who have been wounded and maimed. And on the land occupied by Armenian armed formations, almost everything has been destroyed. All that had been created over decades, centuries. Colossal damage has been inflicted on the Azerbaijan Republic—political and moral and economic. This war is hopeless. This is my personal belief. Every person with common sense should believe this. I think that the Armenian side understands this also. Because the world has never had endless wars. There have been very long wars, but they have always culminated in peace. However long this war lasts, it is hopeless, all the same, and cannot produce advantages for either side.

I set myself the goal, therefore, of achieving a peaceful settlement of this issue and of bringing the war to an end. On terms, of course, that cater for Azerbaijan's national interests. These terms are the territorial integrity of Azerbaijan, the sanctity of the borders of the independent Azerbaijani state, the liberation of all occupied territories from Armenian armed formations, and the return of the refugees to their places of residence. The Armenian side has its conditions also. Those of them that can be accepted, our side is accepting. These are, naturally, assurance of the security of the Armenian population in Nagornyy Karabakh, the granting of Nagornyy Karabakh the appropriate status, assurance under international control (this is our opinion) of a humanitarian corridor between Nagornyy Karabakh and Armenia via Lachin area—all this is natural also. If these conditions are accepted by the Armenian side, peace may be concluded. I aspire to peace, I seek it, and I want to see it. I do not believe that either side can be successful militarily. I am an optimist and I hope that peace will come.

The second part of your question: What model will we choose—the Russian model or some other? I proclaimed long since, as soon as I came to Azerbaijan, that our republic should take the path of democratization, the path of the building of a democratic state based on the rule of law and the creation of a democratic society with all the attributes of democracy, taking advantage of the experience of world democracy. With regard, of course, to local conditions, national particularities, and national traditions.

As far as the economic system is concerned, it should undoubtedly be a market system, with opportunities being afforded for initiative and free enterprise. There can be no return to the old economic principles or the old system. Nor to the old sociopolitical system either. This is my conviction. I believe that all this can extricate Azerbaijan from the economic and social crisis. There will be certain difficulties, of course, but the people must, I believe, endure them in order to arrive at a free society, free life, and free economy. This is the model, which has already been tested and approved in the economically developed countries. I intend to introduce it in the republic and establish it with regard to the conditions of Azerbaijan.

[Galayeva] The Azerbaijani press recently published the program speech of Prime Minister Suret Guseynov, in which he complains, in particular, that his Cabinet of Ministers lacks the authority for the implementation of reforms and the organization of current business. How did you view this?

[Aliyev] The Cabinet of Ministers has more than enough authority. But the point is that it is not cleaving to positions of implementation of reforms. Moreover, it is cleaving more to positions of the establishment of a command-administrative system. It is essentially opposed to the implementation of reforms. The prime minister does not express this openly, incidentally, when we discuss matters, but then someone writes some material for the newspapers on his behalf. I believe that the public of Azerbaijan knows who stands for what.

[Galayeva] A question that is frequently discussed by everyone and at all levels: What do you, Geydar Aliyevich, think about the restoration of the economic space within the framework of the CIS? How do you conceive of it, how do you see it? Specifically, I have heard that the question of the creation of an Interstate Economic Committee will be formed tomorrow or the day after. What about this? Do you agree with Nazarbayev's idea concerning the formation of a union of Eurasian states?

[Aliyev] Azerbaijan was not a member of the CIS—you know this. It became a part of it in September of last year. In June I had become head of the Azerbaijan Republic, and I had to work for several months to create the psychological atmosphere in the republic for affiliation with the CIS. There was in our country, in the main, a very negative attitude toward the CIS, and it was not

easy, you know, to change people's mentality. Either in the parliament of Azerbaijan or in public opinion. For this to become the express wish of the people, I raised the question of affiliation in parliament repeatedly, and it was discussed by the public, the work force, political scientists, and the intelligentsia. As a result, our people were persuaded that it was necessary for Azerbaijan to become a part of the CIS. I obtained a mandate to this effect, and on 24 September I signed in Moscow the papers on the republic's affiliation to the CIS. But at the same time, when I became closely acquainted with the activity of the CIS, I sensed that not everything here had, unfortunately, been developed, not everything had been adjusted. There is the name "CIS," but a good mechanism of activity and interaction is lacking. Various ideas and various thoughts, including the proposals of Nursultan Nazarbayev, appear. The latter is an idea that merits attention, but that requires closer study, of course. I have not had this opportunity as yet, unfortunately. But we will have a meeting of heads of state in October. We will have had a chance by then, evidently, to have formulated our positions on these matters. There should be economic integration within the framework of the CIS, therefore. Close bilateral relations between states that are members of the CIS are needed particularly. And the CIS is undoubtedly required to secure this economic integration. At the same time, this matter must not be overly centralized, and we must not attempt once again to create some center, some regulator. This is unacceptable. I cannot, therefore, yet say anything about this economic committee that is being discussed somewhere at this time.

[Galayeva] You perceive it as a center?

[Aliyev] It looks like a center. It is as yet necessary to probe and investigate this, therefore. That is, my position is this: Economic integration must be more efficient. It is currently at a low level, but it must not affect a state's sovereignty or economic independence. A very skillful combination and balance must be found here.

[Galayeva] In which direction are you oriented in your plans, hopes, and aspirations: toward the south, the west, or the north?

[Aliyev] I have declared repeatedly that Azerbaijan is a state that is independent and open to the world. Russia is our northern neighbor, and we are bound by 200 years of joint life and a great deal else. Friendly relations with Russia and economic ties must exist. If some people believe that it is possible to manage without this, they are making a mistake. But at the same time Azerbaijan, as an independent state, maintains and will continue to maintain equal bilateral relations with its neighbors: Turkey, Iran, Georgia, and the other countries that are members of the CIS. Unfortunately, with Armenia we are currently at war, but I believe that peace will come. And, of course, with Western countries: the United States, Europe.... An independent state should not be oriented in some particular direction, and I adhere to the positions of multilateral ties.

[Galayeva] People of Baku say that you created in the 1970's unique research personnel and a multinational intelligentsia potential. Now, however, we are observing with the greatest regret and sadness a drain of brains and talent which, it seems to me, is not abating in the least. On the contrary, it is increasing. From your country included. I know many splendid scientists, artists, and composers whom it has lost. From those who have remained I have heard bitter complaints that the level of the intelligentsia has fallen sharply, that there is no one with whom to communicate, that Russian and foreign scientific periodicals are no longer received even by the library of the Academy of Sciences, that people cannot breathe in the intellectual vacuum that has formed.... When, finally, the long-awaited peaceful quiet reigns, when the situation in your country becomes stable and calm, what will you do, first, to halt this drain, and second, to bring back to Azerbaijan its personnel that you had trained? Especially if it is recalled that mankind is on the threshold of the 21st century, which has already been designated the information age.

[Aliyev] This is for me a very difficult question, which causes me sincere pain. Yes, people probably do remember that I did, indeed, do a great deal to ensure that this intellectual potential be created in Azerbaijan. In science, in culture, in industry, in agriculture. Everywhere. I devoted my whole life to this. This is part of my life, the main part, what is more. It is for me, of course, most painful of all, perhaps, that what has been created has been destroyed and dispersed to some extent. But this is now beyond my control. The processes that have occurred in the past six or seven years led to this. I believe that the scientific, economic, and intellectual potential of Azerbaijan is alive both in Azerbaijan itself and outside. Even in Russia. A tremendous number of the people whom I formerly specially sent for training in Russian higher educational institutions acquired an education there and became doctors and professors and continued to live there. There are many of our specialists in Western countries also. I believe that when economic conditions improve here, and the economy will develop when we can, if only partially, rid ourselves of the negative phenomena that are currently inflicting a great deal of damage on our society, this potential will reassemble. I am an optimist—this is what I believe.

[Galayeva] Because you have splendid land and a wealth of opportunities....

[Aliyev] Both because the land is splendid and because I believe that I myself will contribute to this also.

[Galayeva] In terms of wealth of raw material resources Azerbaijan is frequently compared sometimes with Kuwait, sometimes with the Klondike. But the people of the republic are living in poverty, having already sunk to the brink of destitution. The intelligentsia is suffering particularly, both morally and physically, inasmuch as it cannot find for itself ways of earning enough on which to live and create. This is its salient feature. How are you thinking of resolving these social problems?

[Aliyev] Social problems will be resolved mainly by way of the implementation of economic reforms. Their realization will make it possible to raise the level of production, and this will improve the economic and financial state of the republic. And all this will bring about a gradual improvement in life.

[Galayeva] You have seen a great deal in your life, Geydar Aliyevich, and have experienced a great deal. I recall an interview which you granted LITERATURNAYA GAZETA around 1980, I believe. It had tremendous repercussions both with us and, as I recall, overseas also. Specifically, we learned at that time that on your initiative a center for the study of public opinion, which tackled forecasting also, had been created in the Union for the first time. At that time this seemed impossible, astonishing—thoughts connected with the future....

[Aliyev] And the future, as you can see, is confirming that they were right.

[Galayeva] And now also you have a responsible post, and you will hardly have a spare minute, I would think. But if, after all, you do have, what do you dream about, what do you think about? How do you see the immediate future, up to the year 2000, say, and then what, beyond the pass? Please tell us what you think.

[Aliyev] I have, truly, experienced much. But now also, when I have once again, for the second time, become head of Azerbaijan, as an independent state this time, I have a single goal: to lead my people, my republic, out of the difficult situation. This is all I dream of, I have no other plans in life, no other desires. I have virtually no spare moments. Even here, on the aircraft, you see, my colleagues and I have been discussing issues, and when I finished with them, I invited you, and in literally 10 minutes we will be landing in Moscow. I have practically no free time, therefore. I am thinking constantly, my brain virtually never switches off its thoughts....

[Galayeva] Behind your back, incidentally, your business circle and the people also call you a supercomputer. It is said that you have a dazzling memory.

[Aliyev]But my main thought is of extricating Azerbaijan from the serious situation. If we can put an end to the war, if we can establish a lasting, long-term peace, I believe that Azerbaijan will arrive at the year 2000 with a totally different identity. I believe this. God grant that this be the case.

[Galayeva] Thank you for the interview.

As the Issue Was Being Put Together

The group of specialists of the State Oil Company of Azerbaijan that had been discussing the oil contract in Houston returned to Baku. At a briefing given a few days ago, Geydar Aliyev, president of the Azerbaijan Republic, informed journalists that he had made the decision to sign the contract on 20 September, that is, today, the day the newspaper appears. The president

observed here that the terms of the cooperation could have been more favorable, but, dealing with such important partners for the first time and coming to terms with their understandable interests, the government was forced to agree to concessions for the sake of the main goal: how to infuse the country's economy with fresh blood as quickly as possible and to afford people, finally, a chance of a decent existence.

The contract is geared to a period of 30 years. Three fields will be a part of the sphere of commercial exploitation: the Azeri, the Chirag, and the Guneshli. According to the contract, 511 million tonnes of oil will be recovered from them, of which Azerbaijan is due 253 million tonnes. The anticipated total profit over the time of exploitation is put at \$34 billion.

The contract will take effect after it has been ratified in the parliament of Azerbaijan.

Crime Situation in Republic Examined

944K2456A Baku BAKINSKIY RABOCHIY in Russian
30 Sep 94 p 2

[Article by Khanlar Alikperov, deputy chief of the Police Academy, doctor of juridical sciences, and colonel of police: "Are We Threatened by the Sicilian Syndrome? How Do We Bridle Crime?"]

[FBIS Translated Text] This article, which is submitted for our consideration, completes the first series of articles on the problem of crime in the republic. We will recall: Discussion in them concerned the reasons for the complications in the criminogenic situation in recent years, and the fact that if the increase in crime is not stopped, no one can be confident they will not become a victim of it tomorrow. These fears are based on alarming statistical figures which, in particular, indicate that every third crime remains unsolved. In other words, hundreds of murderers, rapists, and robbers go free unpunished, which emboldens them to commit new and far more brazen and serious crimes.

As is known, the president of the republic, as the guarantor of the safety of each of us, concerned as he is about the dangerous trends in the dynamics of crime, published a special edict in fulfilling his constitutional duty. Of course, the success of its implementation depends not only on the activation of the work of law enforcement organs, but also on the participation of citizens themselves, who are supposed to create an atmosphere of intolerance toward those who break the law. A very important role in this cause belongs to the mass media, legal scholars, and jurists, and, as life shows, to the clergy. This should be realized today by everyone, regardless of social status and political convictions. In the final analysis, we are all in the same country, and today it is going through not only a profound economic and sociopolitical crisis, but also a serious criminal crisis.

Given the full importance of legal and resource support in the fight against crime and the intensification of the

activity of law enforcement organs in this direction, success in this work will be determined in many ways by the support of the people and their active participation. Of course, this requires serious, persistent, and at the same time correct educational work on the part of the ideological institutions that are called on to move law-abiding citizens of the republic to render all-around assistance to the organs, and to explain intelligibly what each of them can do specifically, and how one or another person can personally protect himself and his neighbors from criminal encroachments, etc.

Unfortunately, such a well-conceived ideological base in the fight against crime does not exist in our republic, just as there is no, I repeat, no skillful propaganda on the edict of the president. One can see in this one of the reasons for the unprecedented passivity of the people, the persistent legal nihilism in society, and the deepening crisis in the confidence of the law enforcement organs. All this, in the final analysis, is having a negative effect on the state of criminality in the republic.

Today, in my opinion, television, radio, and the press should confront this disturbing problem, and, as the saying goes, sound the alarm, arouse society against crime, convince citizens that the extent of their personal safety, as well as the safety of close ones, depends on the extent of this fight. Unfortunately, our mass media have still not initiated such work, limiting themselves to "daily" speeches whose positive effect is rather doubtful.

The aforementioned refers most of all to republic television. To this day a dialogue has not been organized there with specialists and managers of law enforcement organs, legal scholars, jurists, and immediate participants in the daily fight against crime, and there are no analytical programs on the state of the criminogenic situation in the republic, and no more or less permanent special rubrics.

With few exceptions, the republic's newspapers also pay very little attention to this problem. Only the managers of law enforcement organs of various ranks appear in their pages, and then only rarely. But it is no less important to give the word to those who directly lead the fight against crime every day. We also almost never see articles by legal scholars, although eight doctors of juridical science are studying the problems of fighting crime in the republic. For a country of 7 million people, this, to put it mildly, is very few. But for some reason we are unable to use their capabilities and assistance in the proper way. After all, none other than scholars and specialists are called on at a high theoretical and professional level to create a legislative base in the fight against crime, to conduct serious analytical and forecasting work in this direction, and to offer specific proposals.

It is extremely important in all of this work to take advantage of the untapped potential of the religious figures of the republic. The mosque, the church, and the synagogue, considering their great authority among believers (after all, we have quite a few) can render

invaluable assistance to society. The Koran, the Talmud, the Old and New Testaments, and other sacred writings contain in themselves a whole complex of prohibitions and commandments concerning the impermissibility and sinfulness of violence to one's neighbor, attempts on his life and health, honor and dignity, and property and peace. In other words, all religions carry in themselves a powerful anticriminogenic potential. Therefore, the spiritual pastors of believers who regularly direct their attention to the need to observe these demands can stop many from the temptation to commit a crime.

The capabilities of the Muslim religion in crime prevention should especially be highlighted. The authority and the power of influence on believers of representatives of the clergy open up unique opportunities for preventive work among the people. After all, thousands upon thousands of parishioners assemble in mosques every week. The fact must also not be forgotten that almost 50,000 funeral repasts are held daily for the deceased. On average, several million citizens attend them, a majority of whom at times pay attention to the authoritative word of the mullah. Consequently, if he wishes he can direct the attention of his listeners to the problem of crime, talk about the extreme negative criminogenic situation in the republic, advise the audience of the main provisions of the president's edict, justify its social conditionality, convince those in attendance of the grave sinfulness of committing crime, and dissuade them from rash steps, etc. The role of religious leaders in reeducating convicts who are serving time in prisons is also irreplaceable. Briefly, the correct and timely use of the powerful anticriminogenic potential of the clergy could tangibly improve the criminogenic situation in the republic.

It is about time for our ideological institutions to establish close contacts with the religious denominations that operate on the territory of the republic, to involve the clergy in ethically legal work with the people, to provide them with the necessary information on the status of crime and its trends in the republic, to furnish them the required methodological literature, and to familiarize them with materials of investigative and judicial practice, statistical data, etc.

It is not necessary to say that the far from complete list of shortcomings and miscalculations of the ideological fight against crime has an extremely negative effect on the criminogenic situation.

But the situation is very complicated. Analysis of the past eight months shows that despite the measures being undertaken, the number of registered crimes in comparison with the same period last year is increasing steadily. Moreover, mainly owing to violent and violent-mercenary crimes.

The sharp increase in grave crimes in the capital of the republic is especially alarming. Thus, in eight months in Baku there has been an increase of almost 44 percent in the number of premeditated murders, a more than twofold increase in attempts at premeditated murder, a

66.7 percent increase in rapes, a 35.5 percent increase in hooliganism, a 16 percent increase in the deliberate infliction of serious bodily injuries (less severe, by 37 percent), an 18 percent increase in muggings, and a 9.3 percent increase in robberies. There was also a sharp increase in motor vehicle hijacking (plus 20 percent). The number of citizens who died as a result of road-transport accidents increased by 40.3 percent. As in previous years, the threatening rate of crimes by minors is disturbing (plus 37.5 percent).

At the same time, the index of solving registered crimes is decreasing with each year, especially grave forms. In particular, it increased by almost 66 percent in eight months. The situation with respect to solving crimes in other regions is no better. On the whole in the republic this index is somewhat more than 69 percent, and for grave crimes—64.8 percent.

The number of registered crimes associated with the manufacture and sale of narcotics is growing swiftly. While before 1990 their number fluctuated within a range of 500-600 per year, at the present time this indicator is approaching 2,000.

At present, crime has lashed society to such an extent that each year more than 1,500 innocent citizens die. This is much more than the number of servicemen who died in several years of war with the Armenian aggressors.

This short analysis of the data on criminogenic statistics indicates that today crime is advancing as previously and that society, alas, continues to retreat before it. But we can retreat no longer. Otherwise, we will be threatened by the Sicilian or Colombian syndrome.

Government Meeting Views Harvest Problems

944K2454A Baku BAKINSKIY RABOCHIY in Russian
30 Sep 94 p 1

[Unattributed article: "Completing the Harvesting in Good Time"]

[FBIS Translated Text] An enlarged meeting devoted to the progress of the harvesting of the raw cotton and other

problems of the republic's agriculture has been held in the president's office. The meeting was chaired by Geydar Aliyev.

A report was delivered by Minister of Agriculture Myuzamil Abdullayev.

As observed at the meeting, the government order for the procurement of cotton for the present year constitutes 200,000 tonnes. In Imishlinskiy, Kyudamirskiy, Akhsuinskiy, Saatlinskiy, and Sabirabadskiy districts, where the work is better organized, the grain growers have already gathered in up to two-thirds of the cultivated harvest.

The rapporteur and other speakers touched also on problems connected with the gathering in of the grape harvest and the state of affairs in other spheres of farming and animal husbandry. Difficulties in the provision of the farms with cotton- and grain-harvesting equipment, spares, and fertilizer and also fuel and lubricants were noted, in particular.

Summing up the meeting, the president emphasized that for the republic cotton is a principal source of currency together with oil. He declared that he expected of the cotton growers timely completion of the harvesting campaign, and in subsequent years, a sharp upturn in the sector with the use of progressive technology based, in particular, on drip irrigation.

The head of state put particular emphasis on the importance of completion of the harvesting of cereals inasmuch as we are continuing to experience difficulties in providing the populace with bread.

Addressing the leaders of the districts directly, he called on them to tackle in earnest the tasks of privatization in animal husbandry and the creation of peasant farms in this sector, which, as experience shows, are more efficient for its development than kolkhozes and sovkhozes.

Suret Guseynov, chairman of the Cabinet of Ministers, Economics Minister Samed Sadykhov, and presidential advisers Vakhid Akhundov, Gabil Guseynli, and Arif Ragimzade took part in the meeting.

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